2022

ECONOMICS — HONOURS

Paper : SEC-B(2)-2

(Managerial Economics)

Full Marks : 80

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Group - A

1. Answer *any ten* questions : 2×10

(a) What is demand for durable goods? Give suitable examples.

(b) What is statistical method of demand forecasting?

(c) Distinguish between derived demand and autonomous demand.

(d) What do you mean by out-of-pocket costs?

(e) Distinguish between marginal cost and differential cost.

(f) What is break-even point of the firm?

(g) If total fixed cost is ₹ 10,000, total sales revenue is ₹ 60,000 and profit is ₹ 5,000, calculate P/V ratio.

(h) What is price forecasting?

(i) What is vertical integration? Give examples.

(j) What is the main problem of a firm in case of capital budgeting?

(k) What is payback method?

(l) When will a project be accepted as per the NPV criterion?

(m) What is non-conventional cash flow? Give suitable examples.

(n) What will be the effect on economic order quantity if inventory carrying cost per unit of the commodity rises?

(o) The expected annual demand for a commodity sold by a firm is 1,200 units. The cost price of the commodity is ₹ 50, cost per order is ₹ 30 and per unit inventory carrying cost is ₹ 1. Determine the economic order quantity of the firm.

Group - B

Answer *any four* questions.

2. What are the importance of demand forecasting? 5

3. What is Industrial-Engineering method of cost estimation? What are its limitations? 2+3

4. Distinguish between : 2½+2½

   (a) Postage-stamp pricing and Zone-pricing.

   (b) Single Basing-point pricing and Multiple Basing-point pricing.

5. Write a short note on Capital Rationing. 5

6. Briefly describe the importance of capital budgeting. 5

7. What are the needs for holding inventories by a business organisation? 5

Group - C

Answer *any four* questions.

8. (a) What do you mean by margin of safety? How can it be calculated? What is its significance?

   (b) A seller is selling a new product. His fixed cost is ₹ 30,000 and variable cost per unit is ₹ 2. The price of the product is ₹ 10 per unit and seller gives a discount of 50%. Determine the break-even point in physical unit. (2+2+3)+3

9. What are the different types of Price discounts? Discuss them in brief. 2+8

10. (a) What is cost of capital? How do you calculate cost of equity using Dividend Growth Model?

    (b) The current market price of an equity share of a company is ₹ 90. The expected dividend per share is ₹ 18. In case the dividends are expected to grow at the rate of 5%, calculate the cost of equity capital. (2+4)+4

11. (a) How can you calculate the accounting rate of return? How are the capital projects evaluated with the help of this concept?

    (b) Initial cost of a project is ₹ 1,30,000. It will yield ₹ 1,80,000 at the end of first year only. If the cost of capital is 20%, calculate its NPV. (3+4)+3

12. (a) What is internal rate of Return? How can it be calculated?

    (b) The management of a company has two alternative projects under consideration. Project 'A' requires a capital outlay of ₹ 1,20,000 but project 'B' needs ₹ 1,80,000. Both are estimated to provide a cash flow for five years : Project 'A' - ₹ 40,000 per year and

    Project 'B' - ₹ 58,000 per year.

    The cost of capital is 10%. Show which of the two projects is preferable from the viewpoint of

    (i) NPV and (ii) IRR. (2+2)+6

13. (a) What are ordering cost and inventory carrying cost? Give some examples of each type of cost. What are their roles in inventory control?

(b) The cost of placing an order is ₹ 50. It is estimated that 300 units will be sold in the next twelve months. Price per unit is ₹ 15 and the inventory carrying cost is 20%. Find the economic order quantity and economic order number. Also determine the size of average inventory. (2+2+2)+4