2023

ECONOMICS — HONOURS

Paper : SEC-B2

(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 do mean by the replacement demand for durable goods?

   (b) What is imputed cost? Give example.

   (c) Mention any two techniques for demand forecasting.

   (d) Distinguish between Shutdown Costs and Abandonment Costs.

   (e) What do you mean by Book Costs?

   (f) Let the Cost function be $C = Q^2 + 5Q + 36$. Show that AC = MC when AC becomes minimum.

   (g) What is Delphi method of demand forecasting?

   (h) What is differential pricing?

   (i) State the need for Capital Budgeting.

   (j) How do you define the NPV of any investment project?

   (k) What is profitability index?

   (l) What is Skimming price?

   (m) What is meant by Cost of retained earnings?

   (n) What is inventory carrying cost? Give some examples.

   (o) State the formula for determining the optimum number of days' supply of any firm per year.

Group - B

Answer ***any four*** questions. 5×4

2. Write the difference between Incremental cost and Marginal cost with suitable examples.

3. What do you mean by (i) cyclical pricing, and (ii) product line pricing?

4. What is capital rationing?

5. Make a brief comparison beween NPV method and IRR method when we have two mutually exclusive capital projects.

6. Explain the factors which determine the inventory stock of a firm.

7. The inventory carrying cost and the ordering cost for a company have been computed to be 15% and ₹ 24 per order respectively. If the annual requirement of an item having unit price of ₹ 10 is 1,200 units, calculate the quantity to be bought to optimise the total cost.

Group - C

Answer ***any four*** questions.

8. (a) Indicate the impact of the following factors on the break-even level of output :

(i) An increase in the average price of the product sold by the firm.

(ii) A fall in the fixed costs of the firm.

(b) From the following information, calculate —

(i) Total Contribution margin

(ii) Contribution margin per unit

(iii) break-even volume of sales

(iv) margin of safety

(v) Profit of the firm

- Total fixed Costs ₹ 4,500
- Total Variable Costs ₹ 7,500
- Total Sales Value ₹ 15,000
- Total Sales Volume 5000 units.

(2½+2½)+5

9. What is price forecasting? Describe the factors involved in price forecasting. 3+7

10. What is profit-volume graph? Explain the concept with the help of a diagram. What are the uses of this graph? 2+6+2

11. (a) What is the time value of Money? Why does it arise?

(b) A firm is considering the purchase of a new machine. It has a lifetime of 5 years. After 5 years it will have no scrap value. The machine will yield ₹ 2,000 annually for 5 years. If the cost of the machine is ₹ 7,000 and if the desired rate of return is 10%, examine on the basis of net present value whether the machine should be purchased. (2+3)+5

12. (a) What are the major limitations of the internal rate of return method of capital budgeting?

(b) The following is the summary of financial data in respect of five investment proposals :

Project	Initial Outlay (₹)	Net Annual Cash inflow (₹)	Life in years
A	50,000	15,000	5
B	90,000	12,000	10
C	5,000	800	10
D	24,000	3,000	12
E	5,00,000	1,00,000	20

Rank these proposals according to —

(i) The pay-back period

(ii) Rate of return on original investment. 4+(3+3)

13. (a) What is Economic Order Quantity (EOQ)?

(b) Explain the process of finding out the EOQ with the help of a diagram. 3+7
