



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

## B.A.DEGREE EXAMINATION – ECONOMICS

FOURTHSEMESTER – APRIL 2018

### 16UEC4ES02- MANAGERIAL ECONOMICS

Date: 23-04-2018  
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

#### PART-A

Answer any **FIVE** questions in 75 words each (5x 4 = 20 Marks)

1. Define Managerial Economics.
2. State the sources of business risk.
3. Write a brief note on a) Administered pricing b) Dual Pricing
4. State the decision rules of IRR and NPV method.
5. Write a brief note on diseconomies of scale.
6. Write a brief note on internal and external sources of capital fund.
7. List out the objectives of Price Policy.

#### PART- B

Answer any **FOUR** questions in about 250 words each (4 x 10= 40 Marks)

8. Explain the nature and scope of managerial economics.
9. Examine the determinants of demand forecasting for consumer goods.
10. A company can make either of the two investments at the beginning of the year Using the profitability index method evaluate the profitability of the investments whose details are given below.

	Project A Rs	Project B Rs
Initial Investment	-7000	-7500
Net incomes (after depreciation and Tax)		
End of year 1	2250	1625
2	2250	1625
3	1250	1625
4	250	1625

The life of each project is estimated to be 4 years. The cost of finance is given to be 10% p.a.

11. State and explain competition oriented pricing practices.
12. What is the purpose of forecasting? Explain the factors involved in demand forecasting.
13. Explain the Cyert and March's behavioral theory of firm.
14. Find the Margin of safety of firms A and B from the following data :

	FIRM A	FIRM B
Actual Total Sales(Rs)	1,00,000	60,000
Budgeted Sales (Rs)	1,00,000	80,000
Break Even Sales	50,000	50,000

Which company, is better placed with respect to its margin of safety and why?

**PART-C**

**Answer any TWO questions in about 900 words each (2x 20= 40Marks)**

- 15. Explain the various cost and revenue curves with diagrammatic representation.
- 16. Discuss the different methods of demand forecasting.
- 17. a) LT Company its fixed cost is Rs.50, 000, the variable cost per unit is Rs.25, and the selling price is Rs.35. Find out the Break even quantity .How much the firm should produce to earn profit of Rs.25, 000. (5 Marks)  
b) A firm incurs fixed cost of Rs.4, 000 and variable cost of Rs. 10,000 and its total sales receipts are Rs. 15,000. Determine the Break even point. (5 Marks)  
c) If the fixed cost of a company are Rs 60, 000, the variable costs Rs.10 per unit of output and the selling price is Rs.20 per unit. Find the Break even point .  
If the company sells 10,000 units of the product, find the safety margin of the company. (5 Marks)  
d) A firm produces 6000 units of commodity X at the total fixed cost of Rs.30,000 and total variable cost of Rs.48,000. Find the price which the firm would charge from its customers if it want make a better profit margin of 20% on cost. (5 Marks)
- 18. On the basis of payback period and Accounting rate of return rank the five investment proposals.

Project Number	A	B	C	D	E
Initial capital (Rs)	25,000	3,000	12,000	20,000	40,000
Annual cash flow(Rs)	3,000	1,000	2,000	4,000	8,000
Life in years	10	5	8	10	12

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