

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.

Please Turn Over

Group - BAnswer *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 - CAnswer *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

(3)

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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
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