

20/09/2016

FYBCOM-SUB-ECONOMICS - SEM II SEPT 2016- 75 MARKS-2 ½ HOURS

Q 1 Explain the following (Any 2)

- a) Meaning and Types of Market Structure
- b) Features and sources of Monopoly Power
- c) Kinky demand curve.

15Mks

Q 2 Discuss the following (Any 2)

- a) Meaning and degrees of price discrimination
- b) Equilibrium of price discriminating monopolist
- c) Cost-plus pricing

15Mks

Q 3 Answer the following (Any 2)

- a) Productive and allocative inefficiency
- b) Causes of Market Failure
- c) Government intervention

15Mks

Q 4 Explain the following (Any 2)

- a) Meaning and importance of capital budgeting
- b) Steps in investment appraisal
- c) Comparison of NPV and IRR

15Mks

Q 5 A State with reasons whether the following statements are true or false (Any 4)

8Mks

- 1) In perfect competition the seller is a price maker
- 2) Demand curve of a monopolist is sloping upward from left to right
- 3) 1st degree price discrimination each customer is charged different price for same goods and services
- 4) Full-cost pricing method has certain limitations
- 5) Government should never intervene in markets
- 6) Externalities are always negative
- 7) Capital budgeting pertains to investment decisions
- 8) Net present value method is based on the principle of discounting

Q 5 B Select the correct answer from the alternatives given and rewrite the answer (Any 7)

7Mks

- 1) A new firm can easily enter a / an _____
 - a) Oligopoly
 - b) Monopoly
 - c) Perfect competition
 - d) All the above
- 2) In the long run all cost are _____
 - a) Fixed
 - b) Variable
 - c) Avoidable
 - d) None of the above
- 3) Price discrimination refers to _____
 - a) Charging different prices for different commodities
 - b) Charging different prices for same buyers at different times
 - c) Charging different prices for same commodity to different buyers
 - d) None of the above
- 4) Marginal cost pricing is generally followed by _____
 - a) Private enterprises

- b) Small and medium enterprises
c) Public sector enterprises
d) Large private MNCs
- 5) Market failure results when it fails to _____
a) Equal supernormal profit
b) Equal distribution income
c) Achieve pare to optimality
d) None of the above
- 6) Productive efficiency is obtained when production is _____
a) On PPC
b) Inside PPC
c) Outside PPC
d) None of the above
- 7) A project is profitable if NPV is _____
a) Zero
b) One
c) Negative
d) Positive
- 8) Present value may be defined as _____
a) The discounted value of future cash flows
b) The interest rate earned on future cash flows
c) The compounded value of future cash flows
d) The opportunity costs of the future cash flows