



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com.DEGREE EXAMINATION – COMMERCE

FOURTHSEMESTER – APRIL 2018

16UEC4AL01- ECONOMICS FOR MANAGEIRIAL DECISIONS

Date: 27-04-2018
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

PART A

Answer any **FIVE** of the following questions in about 75 words:-

[5x4=20 marks]

1. Write a note on capital rationing.
2. Write a note on Delphi method.
3. What are the various profit – limiting factors?
4. What is marketing mix?
5. State the characteristics of managerial economics.
6. State the objectives of capital budgeting.
7. A firm issues debentures of Rs.1,00,000/- and realizes Rs.98,000/- after allowing 2 percent commission to brokers. The debentures carry an interest rate of 10 percent. The debentures are due for maturity at the end of the 10th year. You are required to calculate the effective cost of debt before tax.

PART B

Answer any **FOUR** of the following questions in about 300 words:-

[4X10=40 marks]

8. Briefly explain the various types of costs involved in managerial decision making.
9. Explain the short run and long run cost functions using suitable diagrams.
10. Briefly explain the reasons for fluctuations in Time Series Data.
11. Briefly explain the methods of forecasting using survey method.
12. Examine the characteristics of managerial economics.
13. Illustrate the various methods of calculating cost of capital.
14. Discuss the various economies of scale associated with cost effective decision making.

PART C

Answer any **TWO** of the following questions in about 900 words:-

[2X20=40 marks]

15. ABC Company Ltd is considering to purchase a new machine. Three machines X, Y and Z are available, each costing Rs. 5,00,000/-. In comparing the profitability of the machines, as discount rate of 10% is to be used. Earning after taxation are expected to be as given below. There is no scrap value.

Year	Machine X	Machine Y	Machine Z
1	2,00,000	75,000	1,00,000
2	2,50,000	1,50,000	2,00,000
3	1,50,000	3,00,000	2,00,000
4	1,00,000	2,00,000	1,00,000
5	75,000	1,00,000	75,000

Select the most profitable machine using the following methods:

- a) Pay – back period.
- b) ARR.
- c) NPV.
- d) Profitability index.

16. Elaborate the nature, scope and application of managerial economics.
17. Elucidate the various techniques of pricing by highlighting its objectives.
18. A) Derive the concept of Break- even analysis using suitable diagram and point out its assumptions. (10 marks)

B) The profit and loss data of a company X for a particular year are as follows:

Net Sales	Rs. 1,00,000/-
Cost of goods sold:-	
Variable	Rs. 40,000/-
Fixed	Rs. 10,000/-
Gross profit	Rs. 50,000/-
Selling costs:-	
Variable	Rs. 10,000/-
Fixed	Rs. 5,000/-
Net profit	Rs. 35,000/-

- a. Compute the break – even point
- b. Forecast the profits for the sale volume of Rs. 1,60,000/- and 70,000/-.
- c. What would be the sales volume to earn a net profit of Rs. 55,000/-? (10 marks).

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