

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**BBA Summer 2021 - 22 Examination**

**Semester: 4****Subject Code: 06101254****Subject Name: Managerial Economics II****Date: 28/03/2022****Time: 10:30 am to 01:00 pm****Total Marks: 60****Instructions**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 Do as Directed.****A).Multiple choice type questions/Fill in the blanks. (Each of 1 mark) (05)**

1. In the long run equilibrium in perfect competition \_\_\_\_\_.  
a) Price = average cost = marginal cost      c) Price = average cost = total cost  
b) Price = marginal revenue = total cost      d) Total revenue = total variable cost
- 2 If a monopolistically competitive seller can convince buyers that its product is of better quality and value than products sold by rival firms \_\_\_\_\_  
a) Demand becomes more inelastic.      c) Demand increases.  
b) The firm gains more control over its price.      d) All of the above occur.
- 3 The marginal revenue curve for a single-price monopoly \_\_\_\_\_.  
a) Lies below its demand curve.      c) is horizontal.  
b) ) lies above its demand curve      d) coincides with its demand curve
- 4 A cartel is a group of firms that \_\_\_\_\_.  
a) Produce differentiated products.      c) Agree to restrict output to boost their profit.  
b) produce products that are complements      d) agree to boost output to boost their profit
- 5 The breakeven point is obtained at intersection of \_\_\_\_\_.  
a) Total revenue and Total cost line      c) Total cost and variable cost line  
b) Variable cost and fixed cost line      d) Fixed cost and total cost line

**B).Define the following. (Each of 1 mark) (05)**

1. Break even analysis
2. Imperfect Competition
3. Non- collusive oligopoly
4. Group( in Monopolistic Competition )
5. Going Rate Pricing

**C).Direct questions. (Each of 1 mark) (05)**

1. Which are the equilibrium conditions in Perfect competition?
2. When does price discrimination become possible?
3. State conditions of long run equilibrium under monopolistic competition.
4. List down any four assumptions of Break Even Analysis.
5. Distinguish between full cost pricing and marginal cost pricing.

**Q.2 Answer the following questions.****A).Explain in detail process of price determination in Perfectly competitive market. (07)****B).Why a monopolistic competitive firm does not expand production activity till average cost becomes minimum but stops production when marginal cost become equal to marginal revenue? Discuss the concept of excess capacity. (08)****Q.3 Answer the following questions.****A). Discuss with real life examples in detail various characteristics of oligopoly market. (07)**

**B).** Consider following information of Zampoa soaps manufacturing company. **(08)**

Production in units : 12,000

Material cost : Rs. 250 per unit

Labour cost : Rs. 100 per unit

Overheads : Rs. 50 per unit

Selling Price : Rs. 550 Per unit

Fixed Factory Cost : Rs. 1,25,000

Fixed Administration and Selling Cost : Rs. 75,000

Compute Break Even Point in Units and in Sales using above information.

a. Selling price increases by 10% what would be new BEP?

b. Variable cost decreases by 5% what would be new BEP?

**Q.4 Attempt any two questions. (Each of 7.5 mark)** **(15)**

1. With the help of diagram analyze how a monopoly firm in short run period of time attains equilibrium to earn abnormal profit.

2. Pricing policy lays foundation in determining profitability of the firm. Discuss various objectives firms should consider before setting price for its product or service.

3. When Marginal cost becomes equal to marginal revenue firm exercising price discrimination attains equilibrium. Explain the given statement using diagram.

4. Write a note on types of price leadership model: a. Dominant leadership pricing model    b. Barometric Price Leadership model