

VPM's
DR VN BRIMS, Thane
Programme: MMS (2015-17)
First Semester Examination December 2015

Subject	Managerial economics		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	23.12.2015

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

XYZ Ltd. Is considering to replace an existing machine with a new machine. Original cost of existing machine was Rs. 60,000 having a total life of 6yrs and was purchased 3yrs ago. Depreciation was provided on straight line basis. New machine costs Rs. 2,00,000 and requires the further investment of Rs 15,000 and Rs. 50,000 for installation cost and additional working capital respectively. The existing machine can be sold for Rs. 50,000 and the investment allowance @ 20% will be available on the cost of new machine. Assuming the no investment allowance was claimed on existing machine and the corporate tax rate of 50%,

- a) Estimate the tax on profit on sale of existing machine. And
- b) Estimate the Cash Outflows.

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) State the difference between Microeconomics and Macroeconomics with the suitable and current examples.
- b) Explain Law of Diminishing marginal utility with the latest example.
- c) Explain the two market structure in detail. And also state the pricing policy of each structure.

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the concepts: 1. Consumption 2. Autonomous Demand. 3. Price. 4. Long term Demand. 5. Production
- b) Indians by nature are conservative people with respect to their finances as well and save a significant portion of their earning, but still we always seem to have capital shortage problem, why do you think it exist, Explain it.
- c) If you were the owner of the monopoly firm , then what will be your pricing strategy ?

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Write a short note on “Profit Management”?
- b) List the steps in the profit planning and control?
- c) In Economics, What is Margin? Explain the Extensive and intensive margins.

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the schedule and graph showing different price elasticity of Demand.
- b) State the 7 current issues relating to the problem of ‘Inflation’.
- c) Why there is a Job Recession problems in the developing country? How we can overcome from this problem.

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What is the Price Elasticity? Explain its types along With the latest Examples.
- b) Show the Graph for the following:1. Relatively Inelastic Demand. 2. Perfectly Inelastic Demand.
- c) If you were the good Economist, What will you do for the development of the country like India.

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

a) A project involves cash inflows as below:

Year	Cash Inflows(Rs)
1	10,000
2	12,000
3	15,000
4	20,000

Assuming interest rate to be 15%, find out the present value of cash inflows.

b) A machine costing Rs. 20,00,000 is to be purchased as below-

Rs. 10,00,000 – Down payment out of own contribution.

Rs. 10,00,000 – Borrowing by way of term loan. To be paid in 4 equal annual installments along with the interest @ 15% p.a. the interest being computed on opening outstanding balance.

Calculate Present value of the cash outflow.

c) It is widely believed that the real estate market is overpriced and this believe has prevailed for quite some time, till now no significant correction in land prices going forward? Reason it.