

ASUTOSH COLLEGE
(Affiliated to University of Calcutta)
Semester IV Examination 2021
Economics- Honours
Paper – SEC B2 (Managerial Economics)
Internal Assessment

Full Marks – 10

Time – 30 minutes

Group -A

1. Answer any four questions

1x4=4

- (i) Survey method of demand forecasting includes
- A. Opinion survey
 - B. Expert opinion
 - C. Delphi method
 - D. All the above
- (ii) The out of pocket costs are _____.
- A. Sunk costs
 - B. Marginal costs
 - C. Explicit costs
 - D. Social costs
- (iii) The span of time within which the investment made for the project will be recovered by the net returns of the project is known as
- A. Period of return
 - B. Payback period
 - C. Span of return
 - D. None of the above
- (iv) With limited capital budget and a number of project proposals at hand, the combination of projects would be selected which has:
- A. The maximum net present value
 - B. Internal rate of return is greater than cost of capital
 - C. The highest profitability index
 - D. Any of the above

- (v) Cost of capital is
- A. benefits of equity shareholders
 - B. business risk of existing assets
 - C. average rate of return required by investors
 - D. none of the above
- (vi) Order quantity gets varied compared to standard EOQ model in the presence of
- A. quantity discounts
 - B. secular inflation
 - C. both A and B
 - D. neither A nor B

Group -B

2. Answer **any two** questions

3x2=6

- (i) Distinguish between incremental cost and sunk cost. (3)
- (ii) What are the main advantages of marginal cost pricing? When it is best applied? (1.5+1.5)
- (iii) What is the relation between Net Present Value (NPV) and Internal Rate of Return (IRR) of a project? State two limitations of IRR method. (1+2)
- (iv) Under 'Gordon Model', how expected return of shareholders is associated with constant rate of growth of dividend? (3)
- (v) What is ABC analysis? What is its biggest drawback? (2+1)