UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

**Bachelor of Business Administration (Level II – Semester VI) Examination
November/December 2018**

BEC 2303 – Industrial Economics

**Three (03) Hours
Answer Only <u>Five</u> (05) Questions**

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1. i. Distinguish between 'industry' and 'market' with appropriate examples.

    (05 Marks)

    ii. Briefly explain the concepts of rationality in industrial economics.

    (05 Marks)

    iii. "The modern view on Structure-Conduct-Performance (SCP) approach is more rational than the traditional view on it". Do you agree with this statement? Justify your answer.

    (10 Marks)

    (Total 20 marks)

2. i. Compare linear break-even analysis and non-liner break-even analysis.

    (04 Marks)

    ii. "Sweetly" is a recently introduced chocolate by one of renowned candy manufacturing company in Sri Lanka. The price of the product is Rs 11/= and forecasted fixed cost and per unit variable costs are Rs 10,000 and Rs 6/= respectively. Output capacity of the machine is 60 units per hour.

    Further, the company expects to introduce new product called "New sweetly" with different flavour and high nutrition. The introductory price of the product is Rs 12/= and forecasted fixed cost and per unit variable costs are Rs 12,000 and Rs 7/= respectively. Output capacity of the machine is 120 units per hour.

a. Find the output at the point of Break-even for "Sweetly" and "New sweetly".

(05 Marks)

b. If you are the manufacturing manager and opted to select one, which product do you prefer to produce?

(05 Marks)

c. If actual sales of "Sweetly" is 1,500 units, find the margin of safety.

(03 Marks)

d. If margin of safety is negative for a product, propose alternative methods to improve it.

(03 Marks)

(Total 20 marks)

3. i. Compare 'incremental innovation' and 'radical innovation' with respect to position by providing appropriate examples.

(05 Marks)

ii. Compare 'Austrian approach' to innovation with 'Evolutionary approach' of it.

(10 Marks)

iii. "Innovations always deliver positive outcomes that are acceptable to everyone in the society". Do you agree with this statement? Justify your answer.

(05 Marks)

(Total 20 marks)

4. i. Identify the major reasons for advertising.

(05 Marks)

ii. Identify and briefly explain the consequences in the retail market in the absence of manufacturer's advertising.

(08 Marks)

iii. a. Briefly explain why advertising cost falls gradually.

(04 Marks)

b. Graphically illustrate the relationship between advertising intensity and sales revenue.

(03 Marks)

(Total 20 marks)

5. i. Do you consider the existence of monopoly markets as a market failure? Justify your answer.

(05 Marks)

ii. a. Identify the issues pertaining to common property right in a market economy.

(04 Marks)

b. Do you consider issues pertaining to common property right as a market failure? Explain your answer.

(04 Marks)

c. Provide solution to the issues identified in the above question (a) with practical examples.

(04 Marks)

iii. What do you mean by "Public choice theory"? Explain.

(03 Marks)

(Total 20 marks)

6. i. "Multifaceted innovation is one of the typical features of industrial clusters"

a. Explain how multifaceted innovation takes place in industrial clusters.

(04 Marks)

b. Identify most common types of multifaceted innovation in industrial clusters.

(03 Marks)

ii. Compare and contrast localization economies and urbanization economies.

(10 Marks)

iii. Name three (03) global cluster industries presently operating.

(03 Marks)

(Total 20 marks)