

# UNIVERSITY OF COLOMBO, SRI LANKA

## FACULTY OF MANAGEMENT AND FINANCE

### Bachelor of Business Administration (Level II – Semester VI) Examination November/December 2017

#### BEC 2303 – Industrial Economics

Three (03) Hours  
Answer Five (05) Questions Only

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1. i. Briefly explain the rationality concepts behind industrial economics and identify what approaches available to treat those concepts.

(10 Marks)
- ii. Explain Structure, Conduct and Performance (SCP) approach with appropriate examples.

(10 Marks)

**(Total 20 marks)**
2. i. “Market concentration shows the extent to which production of a particular product or service is confined to a few large firms”
  - a. Explain the relationship between number distribution of firms, size distribution of firms and market concentration.

(05 Marks)
  - b. Distinguish between absolute measures of market concentration and relative measures of market concentration providing appropriate measurements.

(08 Marks)
- ii. How do you measure the margin of safety? If the margin of safety is low for a given product, what do you suggest to improve it?

(07 Marks)

**(Total 20 marks)**
3. i. Briefly explain the necessity of advertising products.

(08 Marks)
- ii. Identify the characteristics of a market where you need to have a high level of advertising.

(05 Marks)
- iii. Graphically explain the relationship between advertising intensity and sales revenue.

(07 Marks)

**(Total 20 marks)**

4. i. Distinguish between mergers and acquisitions. (04 Marks)
- ii. Explain the Theory of Marris with regard to mergers and acquisitions. (04 Marks)
- iii. How do adverse changes in the economic climate compel firms to merge with (or acquire) another firm? Explain. (09 Marks)
- iv. Identify different types of synergies that an acquiring firm can enjoy. (03 Marks)
- (Total 20 marks)**
5. i. Distinguish between invention and innovations with appropriate examples. (05 Marks)
- ii. Briefly explain four (04) dimensions of innovation space. (10 Marks)
- iii. Identify the role of cluster industries. (05 Marks)
- (Total 20 marks)**
6. i. Identify five (05) top priorities of the European Union industrial policy. (05 Marks)
- ii. "Economists advocate that market failures can be mitigated through selected intervention in to the market system by the government". Critically evaluate this statement. (15 Marks)
- (Total 20 marks)**