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Total number of printed pages – 3

MBA
MGT 102

First Semester Regular Examination – 2014

MANAGERIAL ECONOMICS

BRANCH : MBA

QUESTION CODE : H 460

Full Marks – 70

Time – 3 Hours

*Answer Question No. 1 which is compulsory and any five from the rest.
The figures in the right-hand margin indicate marks.*



1. Answer the following questions : 2 × 10
- (a) What are Giffen goods ? Explain the principle emanating from it.
 - (b) Is price elasticity of demand negative for all goods ?
 - (c) What is MRTS ?
 - (d) Distinguish between Implicit and Explicit cost.
 - (e) What is economic profit ?
 - (f) Is cross elasticity positive for complementary goods ?
 - (g) $AR = MR = P$ in a perfectly competitive market. Why ?
 - (h) How does a firm maximize profits ? Give a graphical explanation.
 - (i) What is Transfer Pricing ?
 - (j) What is Bank rate ? How does it help in stabilizing economy ?
2. (a) Based on a consulting economist's report, the total and marginal cost functions for Advanced Electronics Inc. are
- $$TC = 1,000 + 10Q - 0.9Q^2 + 0.04Q^3$$
- $$MC = 10 - 1.8Q + 0.12Q^2$$
- Find out the rate of output that results in minimum average variable cost. 5

P.T.O.

- (b) Navin Mehta, a young Chemical Engineer, developed a new detergent during his M. Tech Course. Upon passing out, he invested a small amount of capital to start manufacturing and selling the detergent under the brand name of NIPPO. Coming from a middle class family, Mehta decided to price his detergent much lower than the other detergents available in the market at that time. His pricing strategy paid rich dividends and NIPPO become an instant success. Using his newly acquired financial strength, Navin developed a new premium quality bathing soap with a unique color and perfume. Although the cost price of this soap was high, Navin priced it substantially lower, maintaining a low profit margin, to be comfortable product in the marked.

Answer the following questions :

5

- (i) Suggest an appropriate marketing plan to Navin Mehta.
- (ii) Do you feel Navin committed a pricing mistake in the case of the bathing soap ? Give reasons for your answer.

3. Managerial economics uses the theories of economics and the methodologies of the decision sciences for managerial decision making. Elaborate. 10
4. The demand for a company's computers has varied with its price in the following manner during the last seven years :

Years	1996	1997	1998	1999	2000	2001	2002
Price (Rs.)	90,000	80,000	75,000	60,000	50,000	35,000	30,000
Demand ('000 units)	80	95	110	120	135	150	160

Project the demand for the computers when the price is reduced further to Rs. 20,000/-.

10

5. Long run cost-output relationship is an envelope of the family of short-run cost curves. Give your views. 10
6. "The monopolistic competition is a special case of imperfect competition. It stands between monopoly and perfect competition and accordingly the pricing decisions are determined by the characteristics of both these market forms". Discuss. 10

7. Describe briefly the functions of monetary policy and fiscal policy. Which of these is more effective in controlling trade cycle in a developing country? 10
8. Write short notes on any two of the following : 5×2
- (a) Output elasticity
 - (b) Open market operation
 - (c) GDP
 - (d) Law of variable proportions.

