Registration No :

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MBA
18MBA101

1^{st} Semester Regular Examination 2018-19
MANAGERIAL ECONOMICS
BRANCH : MBA
Time : 3 Hours
Max Marks : 100
Q.CODE : E638

Answer Question No.1 (Part-1) which is compulsory, any EIGHT from Part-II and any TWO from Part-III.
The figures in the right hand margin indicate marks.

Part- I

Q1 **Short Answer Type Questions (Answer All-10)** **(2 x 10)**

- **a)** What is meant by market driven economy?
- **b)** One of the main concerns of a Managerial Economist is that the firm should create value. Explain what is value creation here?
- **c)** The two basic units in an economy are always in conflict. State who are these two units and what is this conflict referred to?
- **d)** What are the demand determinants for durable goods?
- **e)** Explain how the phenomenon of price elasticity of demand is explained in the context of necessities and luxuries.
- **f)** What do you mean by economies of scope?
- **g)** Between inflation and deflation which is having more disastrous effects? Why?
- **h)** Discuss what would happen to the consumption function if consumers' expected prices rise rapidly in the future and if taxes increased?
- **i)** Explain autonomous and induced investment.
- **j)** Price discrimination work towards equalizing real income. Do you agree? Give the circumstances where this is practiced by Governments.

Part- II

Q2 **Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve)** **(6 x 8)**

- **a)** Given the demand and total cost functions:
  $P=20-Q, C= Q^2 +8Q-2$, where q is the output, Compute the profit maximizing level of output, Sales maximizing output and revenue maximizing output subject to a profit of at least P
- **b)** What are the practical applications of the price elasticity of demand concept? Explain
- **c)** Define new product. What are the different methods of forecasting the demand for new products?
- **d)** Differentiate Fiscal policies and Monetary Policies
- **e)** Discuss the pricing strategies adopted for a new product.
- **f)** What are external economies of scale and how are they different from returns to scale?
- **g)** What is the difference between technical and economic efficiency, and why is this distinction important for decision making?
- **h)** Examine the factors which explain why the average cost of producing a commodity declines with an expansion in the scale of production.
- **i)** Explain how, from the production function and prices of resources used, an entrepreneur can determine the equation of the cost of production.
- **j)** Under what circumstances a firm might produce a productand then destroy it? Give real-lifeexamples.

k) Why a firm under perfect competition is described as a price taker? Deduce its equilibrium conditions in the short run.

l) A monopolist has two markets and the demand schedules in them are as follows:

MARKET A	MARKET A	MARKET B	MARKET B
PRICE (RS)	**QUANTITY**	**PRIC (RS)**	**QUANTITY**
50	400	60	600
40	600	50	800
30	900	40	1100
20	1000	30	1400

He wants to sell 1400 units. What price will he set in the two markets and why?

Part-III

Long Answer Type Questions (Answer Any Two out of Four)

Q3 Construct the AFC and AVC curves of a firm. Explain the shapes. Show how you derive the ATC curve from the average fixed cost and average variable cost curves. If the price of the variable factor rises how the three cost curves are affected? Explain your answers. **(16)**

Q4 Suppose that, if labour costs Rs10 per unit and capital costs Rs 5 per unit, the least cost combinations of capital and labour are indicated in the following table; **(16)**

Output	Labour	Capital
100	5	10
200	6	12
300	8	14
400	10	20
500	13	28
600	18	38
700	24	54

a) Prepare a table showing long run total cost, long run average cost and long run marginal cost.
b) Graph these cost functions. (Graph paper not required, draw in the answer scripts)
c) Over what range of output do economies of scale exist?
d) Over what range are diseconomies of scale indicated?

Q5 What are price, income and cross elasticity of demand? Discuss the factors that influence on the price elasticity of demand for a commodity. **(16)**

Q6 Assume that a perfectly competitive firmfinds itself in the situations listed as under. Discuss what the firm is likely to do in each case : **(16)**

a) It is making no economic profits
b) It is making no business profits
c) It is not covering its fixed costs