



(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 270126

Roll No. 1403270101

M.B.A.

(SEM. I) (ODD SEM.) THEORY
EXAMINATION, 2014-15
MANAGERIAL ECONOMICS

Time : 3 Hours]

[Total Marks : 100

- Note : (i) Attempt all questions. Be precise in your answer.
(ii) The figures in the right margin indicates the marks.

PART -1

- 1 Attempt any five questions : 5×4=20
- a) What is managerial economics? How does it differ from traditional economics?
 - b) Differentiate between accounting profit and economic profit.
 - c) Would you expect the cross-elasticity of demand to be positive, negative or zero for each of the following pair of products:
 - i) Hawkins and Prestige pressure cookers.
 - ii) Kwaliti ice-cream and shoes.
- Support your answer with the general rule.

- d) From the following data, find out Total Variable Cost, Average Total Cost, Average Variable Cost and Marginal Cost :

Units of Out put	Total Cost (Rs.)
0	100
50	230
100	285
150	360

- e) Would you prefer a low penetration price to a high initial price for a new product? Support your answer with reasons.
- f) What is Inflationary Gap? Discuss it with the help of diagram.

PART -2

Case Study

- 2 Movers and Shakers Company Pvt. Ltd., concludes that the demand function for its product X is :

$$Q_x = 1000 - 0.2 P_x + 0.5 P_y + 0.04 Y + 0.01 A$$

Where,

Q_x = Quantity demanded for its product X

P_x = Price of X

P_y = Price of Y (a substitute of product X)

Y = Consumer's Income

A = Advertising expenditure of the firm.

At present, price of the product X is Rs. 100, price of its substitute product (Y) is Rs. 120, Consumer's income is Rs. 10,000 and advertisement expenditure of the Movers and Shakers Company Pvt. Ltd. is Rs. 6000.

Questions :

5×6=30

- a) What is the current level of demand for the product of Movers and Shakers Company?
- b) Calculate price elasticity for the firm's product of X.
- c) Calculate Advertising elasticity for the firm's product X.
- d) Calculate cross elasticity of demand between its product X and rival's product of Y.
- e) If the firm reduces price of X by 20%, what will be the impact on its demand.

PART - 3

5×10=50

- 3 "The three economic problems, what to produce, how much to produce and for whom to produce, have to be tackled by every economy". Comment.

OR

- ~~3~~ What are the fundamental concepts of managerial economics? Describe any three of them with suitable examples.
- 4 Examine the role of price, income, prices of related goods and advertising as factors determining demand. Also state the exceptions to the Law of Demand.

OR

- 4 Given the following demand-supply function:

Demand : $Q=200-2P$

Supply : $Q=20+4P$

Find,

- (i) What are the equilibrium price and quantity sold?
- (ii) What would be the effect upon price and quantity sold if supplying shifts to $Q=50+4P$ and demand remains constant ?

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[Contd...

5 What are isoquants ? Explain the properties of isoquants.

OR

5 Analyse the Break Even Point when revenue and cost functions are linear.

6 Discuss the different degrees of price discrimination under monopoly with suitable examples.

OR

6 What is price leadership? Analyse the model of price leadership by a dominant firm.

7 What do you mean by Business Cycle? Compare and contrast the effects of expansion and recession phases of business cycle.

OR

7 What is National income? Discuss the relationship between GDP, GNP and NNP.