Printed Pages : 4

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

PAPER ID : 270126

Roll No.

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)   Kwality 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 ?

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.