



Printed Pages : 8

MBA012

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

**PAPER ID : 7102**

Roll No.

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**M.B.A**

**(SEM I) ODD SEMESTER THEORY EXAMINATION 2009-10  
MANAGERIAL ECONOMICS**

*Time : 3 Hours]*

*[Total Marks : 100*

- Note :**
- (1) *The question paper contains three parts.*
  - (2) *All questions are compulsory.*
  - (3) *The figures given on the right hand side indicate marks.*

**PART - I**

**1** Attempt all 20 parts of the following, each **1×20=20**  
part carry 01 mark.

(a) Which one of the following is true?

Profit is derived at a point, where:

- (i)  $MR = MC$
- (ii) MC curve intersects MR curve from below
- (iii) Both the above
- (iv) None

(b) Which one of the following is true?

- (i)  $\text{Business Profit} = \text{Total Revenue} - \text{Explicit Costs}$

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**[Contd...**

- (ii)  $\text{Business Profit} = \text{Total Revenue} - \text{Explicit costs} - \text{Implicit Costs}.$
- (iii)  $\text{Economic Profit} = \text{Total Revenue} - \text{Explicit Costs}$
- (iv)  $\text{Explicit Costs} = \text{Implicit Costs}.$
- (c) The decision making process involves :
  - (i) Define the problem.
  - (ii) Identify Best possible solutions.
  - (iii) Choose the Best Solution
  - (iv) All of the above
- (d) Which one of the following is false?
  - (i) Managerial economics applications of economic principles.
  - (ii) Managerial economics is micro-economic in character.
  - (iii) Managerial economics deals with both the economics of firm and economics of individual.
  - (iv) Scope of economics is wider than that of managerial economics.
- (e) Which of the following statements is true?
  - (i) If price elasticity = 1,  $\text{MR} = 0$
  - (ii) If price elasticity  $> 1$ ,  $\text{MR} > 0$
  - (iii) If price elasticity  $< 1$ ,  $\text{MR} < 0$
  - (iv) All of the above

- (f) A consumer whose income is Rs. 10000/- buys 5 kg. of sugar. If his income rises to Rs. 12,000/-, he is ready to purchase 6 kg of sugar. What is the income elasticity of demand?
- 0
  - +1
  - 1
  - 2
- (g) If an increase in income lead to reduction in the quantities demanded, such goods are called :
- Inferior goods
  - Superior goods
  - Both the above
  - None of the above
- (h) Price elasticity in terms of AR and MR is expressed as:
- $e = MR / (AR-MR)$
  - $e = AR/(AR-MR)$
  - $e = AR/MR$
  - $e = MR \cdot AR$
- (i) In case of essential goods, income elasticity of demand is :
- $e = 1$
  - $e < 1$
  - $e > 1$
  - $e = 0$



- (j) In case of Isoquants, which one of the following is true :
- (i) Isoquants have negative shape
  - (ii) Isoquants are convex to origin
  - (iii) Isoquants cannot intersect each other
  - (iv) All of the above
- (k) Which law of production is revealed by the production function :  $Q = -L^3 + 5L^2 + 10L$
- (i) Increasing Returns
  - (ii) Constant Returns
  - (iii) Diminishing Returns
  - (iv) MRTS
- (l) When AFC falls but AVC increases, change in AC depends on the rate of change in AFC and AVC. In this case, which is true :
- (i) If decrease in AFC > increase in AVC, AC increases
  - (ii) If decrease in AFC = increase in AVC, AC remains constant
  - (iii) If decrease in AFC < increase in AVC, AC falls
  - (iv) None of the above.
- (m) A firm under perfect competition is :
- (i) price taker
  - (ii) price maker
  - (iii) price is indeterminate
  - (iv) None of the above



- (n) Under monopolistic competition, which is true?
- (i) There are many sellers
  - (ii) products are differentiated
  - (iii) entry exit is easy
  - (iv) All of the above
- (o) In case of monopoly, which is true?
- (i) It faces negatively sloped demand curve
  - (ii)  $MR < P$
  - (iii) Both the above
  - (iv) None
- (p) Business firms generally form cartel in which of the following markets :
- (i) perfect competition
  - (ii) monopolistic competition
  - (iii) monopoly
  - (iv) oligopoly
- (q) Profit of a firm under monopolistic competition is maximum under which of the following conditions :
- (i)  $AR-AC$  is maximum
  - (ii)  $AR=AC$
  - (iii)  $MR=MC$
  - (iv) None of the above
- (r) Which one of the following is true?
- (i)  $GDP = GNP - \text{net income from abroad}$
  - (ii)  $NNP = GNP - \text{depreciation}$
  - (iii)  $GNP \text{ at factor cost} = GNP \text{ at market price} - \text{net indirect taxes.}$
  - (iv) All of the above

- (s) The depression phase of the business cycle is not defined by the following :
- (i) Growth rate falls
  - (ii) Jobs decline
  - (iii) Investment in stock is profitable
  - (iv) Debtors find it difficult to pay-off their debts.
- (t) Marginal cost for a cost function  
 $TC = 8 + 5Q - 0.7 Q^2 + 0.06 Q^3$  is :
- (i)  $5 - 1.4 Q + 0.18 Q^2$
  - (ii)  $5 - 0.7Q + 0.06 Q^2$
  - (iii) 8
  - (iv)  $5 - 0.14 Q + 1.8 Q^2$

## PART - II

- 2 Read the following case and answer all the questions given at the end, which carry equal marks :

30

Mr. Banerjee, an Economist of a FMCG company has estimated that if there is one per cent increase in the prices of textiles, the demand for textiles would come down by 1.4 per cent. Similarly, if the food prices go up by one per cent, the demand for textiles would decline by 0.98 per cent. Finally, if there is one percent increase in the share of agriculture in the national income, then the demand for textiles would go up by 0.3 per cent.

Price elasticity is an area where active interventions by the mills can contribute to the expansion of demand.

The margins in textiles business as shown by NCAER studies vary from 28 per cent to 48 per cent. If the distribution system could be rationalised so as to bring down the final price of cloth, then by exploiting price elasticity alone, demand can go up.

**Questions :**

- (a) Identify the various types of demand elasticities relevant to textile demand in India.
- (b) Clearly define these elasticities and state their formulae.
- (c) What role has been visualised for price elasticity of demand for textiles in India?
- (d) If price of cloth is reduced by 15 per cent, how much will the demand increase?

**PART - III**

- 3 Define Managerial Economics. Also explain its  $5\frac{1}{2}+7$  fundamental concepts and scope.

**OR**

- 3 "Managerial economics is the integration of  $12\frac{1}{2}$  economic theory with business practice for the purpose of facilitating decision-making and forward planning by management." Explain.

- 4 Define cross-elasticity of demand and state its formula. How does such elasticity differ in case of substitute goods and complementary goods?  $6+6\frac{1}{2}$

**OR**

- 4 What is a Production Function? Show how a production function can be plotted in an isoquant diagram? State the properties of an isoquant.  $3+5+4\frac{1}{2}$

- 5 What do you understand by price discrimination? Explain the conditions which make it possible and profitable.  $5+7\frac{1}{2}$

**OR**

- 5 Explain the method of cost-plus pricing and state its limitations.  $9+3\frac{1}{2}$

- 6 Write notes on any two of the following :  $12\frac{1}{2}$
- (a) Phases of a Business Cycle
  - (b) Causes of Inflation
  - (c) Accounting Profit and Economic Profit
  - (d) Break-Even Analysis.