DEPARTMENT OF MANAGEMENT
SCHOOL OF MANAGEMENT &BUSINESS STUDIES
JAMIA HAMDARD

Odd Semester Examination (Online) March 2021

MBA I Semester

Subject Name: Managerial Economics MM: 75

Subject Code: MBA-FG-106 Time: 03Hours

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Note:

- Students have to submit the **Scanned hand written solutions** to the Examiner, Assistant Superintendent of Examination and Dean on the email ids as mentioned above.
- Students shall use **ruled white paper & blue ink** to write the solution. Each page must have a **serial number and the signature** of the student.
- An additional ½ an hour (30 Minutes) will be given to the examinees to scan the answer sheets, convert it into single PDF and upload it on the id's given on the question papers.
- If any two copies are found to be similar then both the copies shall be cancelled. Such students will be considered/ tried for unfair means.
- The attached PDF shall be named as follows –
  Full Name-Enrollment Number-Course-Semester-Subject Abbreviation (Example: Rabia Shaheen-2017-334-032-MBA-III-QTM) and students shall also mention the same in subject line of the email & his/her answer copy also.
- Answer All Questions, each carry equal marks.

1. a) Differentiate between business and economic profits.

"While taking decisions, we should consider economic profits and not business profits". Do you agree/disagree with the statement? Explain by giving appropriate example. (9)

b) You are interviewing three people for one sales job. On the basis of your experience and insight, you believe Rohan can sell 600 units a day, Mohan can sell 450 units a day, and Sohan can sell 300 units a day. The daily salary each person is asking is as follows: Rohan - ₹ 600: Mohan - ₹ 500: and Sohan ₹ 400. How would you rank the three applicants? (6)

2. a) Annual demand and supply for the XYZ company is given by:

$Q_D = 5000 + 0.5\,I + 0.2A - 100P$

$Q_S = -5000 + 100P$

Where, Q is the quantity per year, P is price, I is income per household and A is advertising expenditure.

i) If A= \$10,000 and I = \$ 25,000, what is the demand equation?

ii) What is the equilibrium price and quantity? (6)

b) Barker Cement Company is considering lowering the price on a 10kg bag of cement from Rs. 200 to Rs. 150. Presently Barker sells 10,000 bags per week and its market analysts believe the price elasticity of demand to be –2 over this price range.

i) If the company reduces the price will its total revenue increase, decrease or remain unchanged? Why?

ii) What will be the new level of quantity demanded? (9)

3. a) Differentiate between the following:

i) Short run and Long run

ii) Diminishing Marginal Returns and Returns to Scale

iii) Technical Efficiency and Economic Efficiency (12)

b) What are examples of a firm where the short run would be quite short (a few days or weeks) and where it would be quite long (several moths or a year or more)? Explain. (3)

4. Three firms in the same industry all sell their product at \$25 per unit. Their total fixed cost and average cost per unit are shown below:

	A	B	C
Total Fixed Cost	200	500	1000
Average variable cost	15	10	5

i) What is the breakeven output rate for each firm?

ii) How many units should each firm produce and sell in order to earn a profit of \$1000?

iii) Which firm is the most leveraged? Which is the least leveraged?

5. (a) In the following list is a number of well-known companies and the products that they sell. Which of the four types of markets (perfect competition, monopoly, monopolistic competition and oligopoly) best characterizes the markets in which they compete? Explain why.

(i) McDonald's - Burgers

(ii) Exxon-Mobil – gasoline

(iii) HP – Personal Computers

(iv) Proctor & Gamble – disposable diapers

(v) Starbucks – gourmet coffee

(vi) Lakme – Lipsticks (9)

(b) There is a microwave oven manufacturer who regards his business as highly competitive because he is keenly aware of his rivalry with the other few microwave oven manufacturers in the market. Like the other manufacturers, he undertakes vigorous promotional campaigns seeking to convince potential buyers of the superior quality and better style of his product and reacts very quickly to claims of superiority by rivals. Is this the meaning of perfect competition from an economics point of view? Explain. (6)