Roll No.......

MBA SEMESTER I EXAMINATION, 2018

Course – MBA -FG-106

MANAGERIAL ECONOMICS

Time: 3 Hours

Max. Marks: 75

Write your Roll No. on the top immediately on receipt of this question paper.

Answer any FIVE questions. Each question carries FIFTEEN marks.

1. 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.

2. (a) A manufacturer of remote-controlled toy cars, Zoozoo Inc., trying to determine the price of its toy cars (all sell at the same price) during the upcoming Christmas season. In the past, the price of its toy cars has been Rs. 800, but the firm is getting worried because of the popularity of other types of toys. The firm has produced some new toy cars in an effort to increase its share in the toy market, but it is also considering a price decrease to Rs. 650. Zoozoo's market research department has estimated the price elasticity of demand for the firm's toy to be – 1.5. The estimated quantity that would be sold this Christmas season at a price of Rs. 800 is 10,000.
(i) How many toy cars would be sold at a price of Rs. 650 if E_p were -1.5?
What would be the effect on the firm's total revenues if the price were lowered to Rs. 650.
(b) What are the different factors that affects the price elasticity of demand. (10+5)

3. Define Indifference curve and Budget Line.
Also explain how we can derive the demand curve with help of indifference curve and the budget line.

4. Twentyfirst Century Pharmaceuticals has discovered a theft problem at its warehouse and has decided to hire security guards. The firm wants to hire the optimal number of security guards. The following table shows how the number of security guards affects the number of boxes of medicines stolen per week.

No. of Security Guards	No. of Boxes stolen per week
0	50
1	30
2	20
3	14
4	8
5	6

a) If each security guard is paid \$200 a week and the cost of a stolen box is \$25, how many security guards should the firm hire?

b) If the cost of a stolen box is \$25, what is the most the firm would be willing to pay to hire the first security guard?

c) If each security guard is paid \$200 a week and the cost of a stolen box is \$50, how many security guards should the firm hire?

5. (a) 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.

   (b) What are the identifying characteristics of a Monopoly? Also identify the major sources of Monopoly. (7+8)

6. Distinguish between Herfindahl Index and Concentration Ratios.
   Discuss in detail the 'Cartel Arrangement' model of Oligopoly (5+10)

7. a) How is a break-even point different from profit maximisation point?

   b) Given the following total cost and revenue functions

   $TC = 15000 + 45Q$

   $TR = 75Q$

   i) Find the break-even rate of output.

   ii) Find the rate of output required to earn profits of Rs. 35,000. (5+10)

8. Explain any three of the following:

   i) Economic region of an isoquant
   ii) Marginal rate of technical substitution
   iii) Law of diminishing returns
   iv) Returns to scale
   v) Price Discrimination