Roll No.......

MBA SEMESTER I EXAMINATION, 2017
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. All questions carry equal marks.

1. a) Explain in brief the 'Theory of Firm'.

   b) Mr. Chris, belonging to a family whose business has been real estate, is contemplating establishing an independent real estate agency. He estimates the expenditure on the salaries of employees to be Rs. 12,00,000 and on rent, supplies and utilities to be Rs. 2,50,000. He would also require Rs. 50,000 initially to be invested in assets. While he is making this new business plan, he is an employee of Leo Realtors, where his annual income is Rs. 6,00,000. The market rate of interest is 12% per annum. He expects to generate a revenue of Rs. 20,00,000. Determine the explicit and the implicit costs and the business and economic profit/ loss of this venture. (5+10)

2. a) Analyze the impact on the market demand for cosmetics under the following situations:
   i) A change in the sex ratio of the population increasing the females against males in number.
   ii) A general price rise in consumer product by 10 percent.
   iii) An increase in taxes on cosmetics.
   iv) A decrease in personal income taxes.
   v) An increase in employment of women.

   b) What is the difference between a change in the quantity demanded and a change in demand? What factors lead to change in demand?

   c) A new canteen has opened in a university campus. The owner wishes to fix the price of burgers. The demand equation is :
   $Qd = 400 - 250\ P$
   where, Qd is the demand of burgers per month
   and P is the price of each burger in dollars
   The supply equation is :
   $Qs = 500P - 200$
   Where, Qs is the supply of burgers per month.
   Determine the equilibrium price and the total demand at this price. (5+5+5)

3. a) Define price elasticity of demand. What factors influence the price elasticity of demand.

   b) The Serpell Report on Railway finances in England, measured the price elasticity of demand for rail services on some routes to be fairly inelastic (-0.15); hence suggested fares rise of 40 Percent for London Commuters. In this case work out the revenue effect if fare is raised from £10 to £14 and daily 1000 passengers are traveling on this route. Should the authorities accept this suggestion?

(5+10)

4. a) "In a perfectly competitive market, while an industry is a price-maker, an individual firm is a price-taker." Elaborate.

   b) Distinguish between an industry's demand curve and a firm's demand curve under perfect competition.

   c) Explain how product differentiation is central to the model of monopolistic competition.

(5+5+5)

5. a) State the sources and features of oligopoly.

   b) Explain the Kinked Demand Curve Model of Oligopoly. (7+8)

6. Write notes on any three of the following: (5x3)

   a) Demand Forecasting

   b) Returns to Scale

   c) Price discrimination

   d) Marginal Analysis

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

   b) Three firms in the same industry all sell their product at $20 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

   What is the breakeven output rate for each firm?

   Which firm is the most leveraged? Which is the least leveraged? (5+10)

8. Differentiate between any three: (5x3)

   a) Income Elasticity and Cross price Elasticity

   b) Income effect and Substitution Effect

   c) Bandwagon Effect and Snob Effect

   d) Isoquants and Isocosts