Roll No.

Department of Management
School of Management and Business Studies
Jamia Hamdard
MBA -Semester I
Odd Semester Examination - December 2025

Subject Name: Managerial Economics **Max. Marks: 60**

Subject Code: MBA-FG-106 **Time: 2.5 Hours**

Attempt any Five Questions. All questions carry equal marks. **(12 x 5 = 60)**

Q1: A small bakery produces 2,000 cupcakes per month. The owner incurs the following costs:

- Rent: $1,200
- Wages: $2,000
- Ingredients: $800
- Utilities: $300

The owner previously worked as a pastry chef earning $2,500 per month, which she gave up to run the bakery. She also invested $20,000 of her savings into the business, which could have earned 5% annually in a safe investment. The bakery sells all 2,000 cupcakes at a price of $3 each.

i) Calculate the bakery's total explicit cost.
ii) Calculate the bakery's implicit cost.
iii) Determine the bakery's economic cost.
iv) Compute the bakery's accounting profit.
v) Compute the bakery's economic profit.

Q2: a) A company sells 10,000 units at a price of ₹ 50. After increasing the price to ₹ 60, sales fall to 8000 units.

i) Calculate the arc price elasticity of demand.
ii) Determine whether the total revenue increases or decreases.
iii) Should the firm keep the new price

b) Discuss the factors affecting price elasticity of demand.

Q3: a) Discuss the role of indifference curves in analyzing consumer preferences.

b) Elaborate how the indifference curve and budget lines can be used to derive the individual demand curve for a commodity. Illustrate with a diagram.

Q4: The following demand and supply functions describe the market for laptops:

Demand: QD = 9000 – 3P + 0.2I – 10PS
Supply: QS = –3000 + 5P – 20PI + 25F

Where:
P = price of laptops
I = consumer income
PS = price of substitute tablets
PI = price of inputs
F = number of firms

Given:
I = 50,000; PS = 20,000; PI = 400; F = 80

(a) Are laptops and tablets substitutes or complements? Why?
(b) Write the reduced form of the demand and supply equations.
(c) Determine equilibrium price and quantity.

Q5: Explain the concept of marginal analysis and its importance in managerial decision making . How do firms use marginal analysis to determine optimal pricing, production levels and resoiurce utilization?

Q6: a) Define breakeven point and explain its significance in managerial decision-making.
b) A firm has the following cost structure:
Fixed Cost = ₹80,000
Variable Cost per unit = ₹60
Selling Price per unit = ₹100

(i) Find the break-even output.
(ii) If the firm wants to earn a profit of ₹1,20,000, how many units must it sell?

Q7: a) Explain why understanding market structure is critical for managerial decision-making.
b) Explain Price-leadership and its role in tacit collusion.

Q8: Write notes on any two of the following:
i) Price Discrimination
ii) Law of Diminishing Returns
iii) Returns to Scale