AS-750

M.B.A. (Semester—I) Examination

(New)

MANAGERIAL ECONOMICS

Time : Three Hours] [Maximum Marks : 70

Note :— (1) Attempt **ALL** questions.
(2) Figures to the right indicate marks.
(3) Use of non-programmable calculator is permitted.

SECTION–A

1. (a) Managerial Economics is the science of optimizing the usage of scarce resources for attainment of managerial objectives. Elaborate. 14

OR

(b) "A Professional Managerial Economist has to integrate concepts and methods from various disciplines and functional areas." Discuss. 14

SECTION–B

2. (a) What is Price Elasticity of Demand ? Discuss the role and importance of price elasticity of demand in Managerial Decisions. 7

(b) Time Watch Company assembles wrist watches and sells in Western India. Demand function faced by the company is estimated to be $Q_T = 40{,}000 - 2P_T - 2I + 4P_C$

Q_T = Number of watches demanded from Time Watch Company.
P_T = Price of Watches sold by Time Watch Company.
I = Per Capita Income in Western India.
P_C = Price charged by competitors.

Currently, P_T, I and P_C are Rs. 350, Rs. 10,000 and Rs. 400 respectively. Calculate the Price Elasticity of Demand. 7

OR

(c) Explain the Utility Analysis for understanding Consumer Behaviour and Demand. 7

(d) Assume that from the utility schedule given below, you are required to find how many Cokes the consumer will consume at the price of Rs. 9 per Coke.

Cokes	Total Utility (Rs.)
1	30
2	45
3	54
4	59
5	59

7

3. (a) What is Isoquant ? Describe the characteristics of Isoquant. Why does an Isoquant slope downward ? 7

(b) The Total Cost function is estimated to be :

$TC = 100 - 3Q + 5Q^2$.

If the current output is 5 Units. You are required to calculate Total Cost, Managerial Cost and Average Cost. 7

OR

(c) What is Cobb-Douglas Production function ? What are its useful properties ? 7

(d) Production function for Global Systems Ltd. is estimated to be $Q = 100\ K^{0.5}\ L^{0.5}$. Input prices are Labour (w) = 10 and Capital (r) = 20. If the firm produces 7071 units, what is the lowest cost possible ? 7

SECTION–C

4. (a) What are different classifications of market structure ? Discuss their characteristics. 7

(b) What is Oligopoly ? Explain how price and output decisions are taken under conditions of Oligopoly. 7

OR

(c) What is Monopoly ? How price and output are determined under Monopoly? 7

(d) What is Perfect Competition ? Explain the various features of Perfect Competition. 7

SECTION–D

5. Assume that a firm's cost function is given by the following relationship :

$TC = 20 + 5Q + Q^2$

where Q represents the level of output produced and sold.

Demand for the product of the firm is given by :

$Q = 25 - P$

(i) Determine the output level where total profits are maximized. 3

(ii) Calculate the total profits and selling price of the product at profit-maximizing output level. 7

(iii) If the fixed cost increases from Rs. 20 to Rs. 25, what would be its effect on profit maximizing output level and total profits earned by the firm ? 4