AT–1398

M.B.A. Semester—I Examination
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 solution provider over the problems of business and industry. Comment. 14

OR

(b) Use of Quantitative methods enrich the tools and techniques of Managerial Economics with objectivity and critical thinking. Justify. 14

SECTION—B

2. (a) Define the term utility. Distinguish between total utility and marginal utility along with suitable examples. 7

(b) A Consumer has an income of Rs. 19 for a week. He would like to spend all the Rs. 19 on three goods i.e. X, Y and Z. Prices of X, Y and Z are Rs. 5, Rs. 3 and Re. 1 per unit respectively. The marginal utility schedule is given below :

Units	Marginal Utilities (MU)		
	X	Y	Z
1	30	18	8
2	25	15	7
3	20	9	5
4	15	6	4
5	5	4	3

You are required to calculate how the consumer will allocate his income on the three goods. 7

OR

(c) Explain the concept of income elasticity of demand and discuss the importance of income elasticity of demand for a business firm. 7

(d) The demand function for honey for Arthur John is given as follows :

$$Q_H = 5850 - 6P_H + 2P_J + 0.15Y.$$

where Y = income of Arthur John = Rs. 8,000, P_H = Price of honey = Rs. 125 per kilogram, P_J = Price of Jam = Rs. 70 per kilogram. Calculate the income elasticity of demand for honey. 7

3. (a) Explain the concept of production function. Discuss the managerial use of production function. 7

(b) The total cost function is estimated to be :

$$TC = 250Q - 10Q^2 + 2Q^3.$$

If the current output is 100 units. Calculate total cost, marginal cost and average cost. 7

OR

(c) What is Economies of Scale ? Explain various economies of scale that accrue to the firm when it expands its scale of production. 7

(d) The production function of Boomex, an auto spare parts manufacturer, is estimated to be $Q = 30K^{0.5} L^{0.5}$. If the prices of capital (r) and labour (w) are Rs. 20 and Rs. 30 per unit respectively, what is the minimum possible cost for producing 180 units ? 7

SECTION—C

4. (a) Describe profit maximisation in terms of marginal revenue and marginal cost. 7

(b) Discuss the significance of Simon's satisfying behaviour model. 7

OR

(c) What are different objectives of firm ? Explain the sales revenue maximisation model. 7

(d) Define managerial utility model. How does it affect managerial decision making ? 7

SECTION—D

5. A firm operating in a perfectly competitive industry has the following cost function :

$$TC = 500 + 8Q + 0.035Q^2$$

Supply and demand functions for the industry are :

$$Q_S = 8500 + 100P$$

$$Q_D = 14500 - 300P$$

You are required to calculate :

(i) Equilibrium price 3

(ii) Equilibrium Quantity. 5

(iii) Maximum Profit that firm can earn. 6