# 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 concerned with firm's decision-making of economic nature. It provides a link between traditional economics and decision sciences". In the light of this statement explain the nature and scope of managerial economics. 14

**OR**

(b) "Managerial economics is both conceptual and metrical. It takes the help of conceptual framework to understand and analyse the business problems and takes the help of quantitative techniques to measure the impact of different factors and policies". Discuss. 14

## SECTION–B

2. (a) Explain the significance of demand analysis for sales management of a firm. Also discuss the factors determining the demand of a product. 7

(b) The demand function for a small business firm is given by $Q_M = 6000 - 6P_{rmA} + 8P_{rmB} + 0.5Y$, where Y = income of the firm = Rs. 8000 and $P_{rmA}$ = Price of raw material A = Rs. 140 per kilogram and $P_{rmB}$ = the price of raw material B = Rs. 120. You are required to calculate the income elasticity of demand. 7

**OR**

(c) Define elasticity of demand. What are the types of price elasticity of demand ? 7

(d) Nikhil has an income of Rs. 140 for a week. He would like to spend all the Rs. 140 on three goods 'A, B and C'. Prices of A, B and C are Rs. 10, Rs. 12, and Rs. 14 per unit respectively. The Marginal Utility (MU) schedule is given below for various levels of consumption.

| Units | Marginal Utilities | | |
|---|---|---|---|
| | A | B | C |
| 1 | 120 | 72 | 70 |
| 2 | 90 | 60 | 56 |
| 3 | 80 | 48 | 42 |
| 4 | 60 | 36 | 28 |
| 5 | 30 | 24 | 14 |

You are required to calculate how Nikhil will allocate his income on these three goods. 7

3. (a) "There is a difference between technical feasibility and economy feasibility for producing a commodity. Production function provides only technical feasibility." Comment. 7

(b) The production function of the firm is given by $Q = L^{0.5}K^{0.5}$. If the firm would like to produce 90.50 units of output, what is the minimum possible cost of production ? 7

**OR**

(c) What is meant by Expansion path ? Explain the significance of expansion path. 7

(d) You are given the following total cost function :

$TC = 100 + 60Q + 3Q^2 - 0.1Q^3$

You are required to calculate Total cost, Marginal cost and Average cost when $Q = 100$ units. 7

## SECTION–C

4. (a) "Among the multiplicity of objectives that a modern firm has, profit maximization continues to be the most important". Comment. 7

(b) Do you agree with a view that separation of ownership and management introduces a change in decision-making process ? Develop your argument in the light of managerial utility model. 7

**OR**

(c) Discuss Simon satisfying behaviour model. 7

(d) Explain sales revenue maximization model. 7

## SECTION–D

5. A firm is operating in monopolistic competition with the following demand and cost functions :

$30Q = 11100 - P$

$TC = 400000 + 300Q - 30Q^2 + Q^3$

You are required to calculate.

(i) The short run equilibrium output and price for the firm. 7

(ii) The profit earned by a firm operating in monopolistic competition. 7