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**First Semester MBA Degree Examination, December 2010**  
**Managerial Economics**

Time: 3 hrs.

Max. Marks:100

**Note: 1. Answer any FOUR full questions from Q No. 1 to Q No. 7.**  
**2. Question No. 8 is compulsory.**

- |          |   |            |
|----------|---|------------|
| <b>1</b> | a. Mention any six objectives of a firm.  | (03 Marks) |
|          | b. What are the characteristics of managerial economics? Explain.                                   | (07 Marks) |
|          | c. Briefly explain the scope of managerial economics.   | (10 Marks) |
| <b>2</b> | a. What are the exceptions to the law of demand?  | (03 Marks) |
|          | b. Briefly discuss the uses of price elasticity of demand.  | (07 Marks) |
|          | c. Explain any three fundamental principles of managerial economics.                                | (10 Marks) |
| <b>3</b> | a. What is cross elasticity of demand? Explain.   | (03 Marks) |
|          | b. What are the reasons for the operation of the law of demand? Explain.                            | (07 Marks) |
|          | c. Briefly explain the uses of break-even-analysis in managerial economics.                         | (10 Marks) |
| <b>4</b> | a. What are the assumptions made in the production function?  | (03 Marks) |
|          | b. Why the profit maximization is not always the aim of a firm? Explain.                            | (07 Marks) |
|          | c. Explain the equilibrium price – output determination in a monopolistic competition in short run. | (10 Marks) |
| <b>5</b> | a. What is a managerial rate of technical substitution?   | (03 Marks) |
|          | b. Briefly explain the properties of ISO – quant curves.  | (07 Marks) |
|          | c. Briefly explain the law of variable proportions.   | (10 Marks) |
| <b>6</b> | a. What are the determinants of a cost function?  | (03 Marks) |
|          | b. What are the factors determining the supply elasticity? Explain.                                 | (07 Marks) |
|          | c. Briefly explain the various internal and external economies of scale.                            | (10 Marks) |
| <b>7</b> | a. What is a dumping?   | (03 Marks) |
|          | b. Explain the cost-output relationship in short run.   | (07 Marks) |
|          | c. Explain the Baumol's sales revenue maximization model of a firm.                                 | (10 Marks) |

**8**     CASE SUDY

**PRICE SETTING DECISION**

A major agro-chemical company planned to sell a new insecticide called 'NETEX' to different markets. The company had to reconcile a number of different interests in the pricing process. The financial people favoured a cost-plus approach, focusing on unit costs and associated margins. The marketing and sales people wanted a low penetration price, counterbalancing a competitive price with the one, which would provide an acceptable commission for the sales personnel. Senior management was tending to come down in favour of price mark-UPS, but lower than accountants. In the back drop of this complex situation, answer the following questions.

- |    |  |            |
|----|--|------------|
| a. | What considerations will you make in setting the prices? | (10 Marks) |
| b. | What factors do you think are influencing the price?     | (05 Marks) |
| c. | Which pricing approach would you suggest and why?        | (05 Marks) |

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Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
 2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.



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**First Semester MBA Degree Examination, January 2011**  
**Managerial Economics**

Time: 3 hrs.

Max. Marks:100

**Note: 1. Answer any FOUR full questions from the Q.No.1 to 7.**  
**2. Question No. 8 is compulsory.**

- 1 a. Distinguish between micro and macro economics. (03 Marks)  
b. What are operational issues in business management? How does micro economics contribute to decision making in the operational issues? (07 Marks)  
c. What is meant by demand? Explain the various factors which affect the demand. (10 Marks)
- 2 a. What are discounting principles? (03 Marks)  
b. What are different methods of demand forecasting? (07 Marks)  
c. What is elasticity of demand? Explain diagrammatically income and price elasticity of demand. (10 Marks)
- 3 a. Explain briefly the different objectives of a firm. (03 Marks)  
b. Explain the law of variable proportion, with the help of diagram. (07 Marks)  
c. Explain in detail the Baumol is sale maximization model of a firm. (10 Marks)
- 4 a. What is law of supply? (03 Marks)  
b. What is meant by internal and external economies of scales? (07 Marks)  
c. Explain diagrammatically short run and long run cost curves. (10 Marks)
- 5 a. What is advertising or promotional elasticity of demand? (03 Marks)  
b. What are the main characteristics of perfect competition? (07 Marks)  
c. Explain in detail, how price and output is determined under monopolistic competition in the short run. (10 Marks)
- 6 a. What are the main features of monopoly? (03 Marks)  
b. Explain the concept of break even point? How the break even point is determined? (07 Marks)  
c. The fixed expenditure of the firm is Rs.24000. Its variable cost of product is Rs.5 per unit. Its selling price is Rs.8 per unit. Determine :  
i) Break even quantity.  
ii) Safety margin for the sale of 10,000 units. (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
2. Any revealing of identification, appeal to evaluator and/or equations written eg, 42+8 = 50, will be treated as malpractice.

- 7 a. Explain the law of demand. (03 Marks)  
 b. Explain briefly why profit maximization is not always the aim of a firm. (07 Marks)  
 c. A departmental store conducted a study of the demand for men's shirts. It found that the average daily demand (D) in terms of price (P) is given by the equation  $D = 700 - 5P$ .  
 i) How many shirts per day the store expects to sell, at a price of Rs.100 per shirt?  
 ii) What price it should charge if it wants to sell 100 shirts per day?  
 iii) What is the highest price any one would be willing to pay? (10 Marks)

8

**CASE STUDY**

B.M.W, the German car manufacturer, under the business merger acquired ROVAR cars from British aerospace, with the brand such as LAND ROVER.

The company also invested in the production of certain new models.

In March 2000, the BMW, however divested itself of the ROVER brand. The decision was based, in view of the declining sale of the Rover brand. The Rover share of U.K. car market declined from 40% in 1970 to around 5% in January 2000. The B.M.W. suffered a heavy loss, amounting to £ 800 million in 1999. The BMW found Rover brand to be a liability rather than an asset.

**Questions :**

- a. What are the factors responsible for the decline of Rover sales? (10 Marks)  
 b. Why did BMW suffer a heavy loss? (05 Marks)  
 c. Why did BMW consider Rover brand as "a liability rather than an asset"? What are your comments about this statement? (05 Marks)

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