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First Semester MBA Degree Examination, December 2011

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.

- 1
 - a. Mention any three characteristic features of managerial economics. (03 Marks)
 - b. Briefly explain the scope of managerial economics. (07 Marks)
 - c. Describe the role of managerial economist in decision making. (10 Marks)

- 2
 - a. What do you understand by the term opportunity cost? Give examples. (03 Marks)
 - b. Discuss the managerial significance of incremental cost. (07 Marks)
 - c. A firm sells its product at Rs.30 per unit. Variable costs per unit constitute Rs.17 as manufacturing cost, Rs.3 as selling cost. Fixed overheads comprise of factory overhead of Rs.1,50,000 and selling overheads of Rs.30,000. Calculate :
 - i) Selling price if 1000 units are sold.
 - ii) Variable cost and fixed cost.
 - iii) BEP in amount and units.
 - iv) Contribution.
 - v) Sales to earn a profit of Rs.60,000 in value and in units. (10 Marks)

- 3
 - a. What is meant by 'demand'? Name any two factors influencing individual demand. (03 Marks)
 - b. Write a brief note on types of price elasticity of demand highlighting the Marshall's classification. (07 Marks)
 - c. Illustrate the major sources of data collection for demand forecasting. (10 Marks)

- 4
 - a. Briefly explain the concept of Marri's growth model. (03 Marks)
 - b. Discuss the main objectives of the firm in a globalised economy. (07 Marks)
 - c. "Managers are more concerned with maximization of sales revenue rather than profits". Explain this statement in the light of Baumol model of sales maximization. (10 Marks)

- 5
 - a. What is production? Mention the needs of production analysis. (03 Marks)
 - b. Discuss the law of variable proportions in brief with examples. (07 Marks)
 - c. Write an explanatory note on law of returns to scale. (10 Marks)

- 6
 - a. What do you understand by the term selling costs? Give examples of two. (03 Marks)
 - b. Briefly explain the features of oligopoly. (07 Marks)
 - c. Why the selling costs are peculiar to monopolistic competition? Explain. (10 Marks)

- 7
 - a. Distinguish between real cost and prime cost. (03 Marks)
 - b. What is opportunity cost? Explain its economic significance in managerial economics. (07 Marks)
 - c. Define revenue. Trace the relationship between price and revenue under perfect competition. (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.

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Case-study : (compulsory)

Dhanalaxmi Finance Corporation is one of the well known banks. This bank deals only in borrowing money through Public deposits. It collects deposits through fixed deposits, recurring deposits, saving bank accounts and current accounts.

Dhanalaxmi Finance Corporation (DFC) lends the money through car loan and earns 18% interest revenue. (i.e. on Rs.1 lakh loan, Rs.18000 revenue). One lakh = 1 unit loan. It has incurred the following cost.

Expenditure	Amount (Rs.)
Salary of managerial staff (per month)	10,00,000
Premise rent (per year)	1,00,00,000
Advertisement cost (per year)	2,03,00,000
Technology cost (per year)	1,51,00,000
Electricity and telephone (per month)	1,00,000
Depreciation (per year)	85,00,000
Stationary and printing (per unit)	1100
Interest cost of fund (per unit)	6660
Dealers commission (per unit)	2532
Collection and verification cost (per unit)	800
Processing cost (per unit)	500
Miscellaneous cost (per unit)	1400

Questions :

- Identify and calculate the total fixed and variable costs. (06 Marks)
- Find out the number of loans (at Rs. one lakh each) that the bank has to sanction to reach break even point. (03 Marks)
- If bank wants to earn a profit of Rs.300 lakh, how many loan proposals will have to be approved? (03 Marks)
- What is BEA? Explain its significance with its advantages in taking managerial decisions. (08 Marks)

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