

CBCS SCHEME

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18MBA12

First Semester MBA Degree Examination, Dec.2019/Jan.2020 Managerial Economics

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any FOUR full questions from Q1 to Q7.
2. Question No.8 is compulsory.

- 1 a. Define GDP. (03 Marks)
b. Explain income elasticity of demand using a suitable examples. (07 Marks)
c. Describe the nature and scope of managerial economics with reference to managing businesses. (10 Marks)
- 2 a. Define oligopoly. (03 Marks)
b. List and explain the factors that affect demand in general. (07 Marks)
c. An air-conditioner manufacturing company's sales records are as follows :

Year	2015	2016	2017	2018	2019
Sales (in Rs. Crores)	25	30	40	50	65

Calculate the demand for air – conditioners for next three years. (10 Marks)

- 3 a. State the Cobb-Douglas production function. (03 Marks)
b. Explain the law of demand and state its exceptions. (07 Marks)
c. Explain the types of price elasticity of demand with diagrams. (10 Marks)
- 4 a. What is meant by price –discrimination? (03 Marks)
b. Explain the law of diminishing marginal utility. (07 Marks)
c. Explain the following pricing approaches : i) Full cost pricing ii) Product line pricing iii) Price skimming iv) Penetration pricing v) Loss eldership pricing. (10 Marks)
- 5 a. What is meant by incremental revenue? (03 Marks)
b. Why is the average cost curve is a U soaped curve? Explain. (07 Marks)
c. Explain the concept of "Kinked Demand Curve" with a suitable diagram. (10 Marks)
- 6 a. Define cross-elasticity of demand. (03 Marks)
b. State and explain the law of returns to scale. (07 Marks)
c. From the following particular, calculate BEP. i) In terms of sales value and in units ii) Number of units to be sold to earn a profit of Rs.90,000. (10 Marks)

Fixed factory overhead cost	Rs. 60,000
Fixed selling overhead cost	Rs.12,000
Variable manufacturing cost/unit	Rs.12
Variable selling cost/unit	Rs.03
Selling price /unit	Rs.24

- 7 a. Define ISO – quant. (03 Marks)
b. Explain the economies and diseconomies of scale. (07 Marks)
c. Explain the five fundamental principles of managerial economics. (10 Marks)
- 8 a. Define the following : i) Average cost ii) Managerial cost iii) Variable cost iv) Average fixed cost v) Average variable cost. (10 Marks)
b. From the following data calculate Average Cost, Marginal Cost, Variable Cost, Average Fixed Cost and Average Variable Cost. (10 Marks)

Output (in units)	0	1	2	3	4	5	6	7
Total costs (in Rs.)	120	140	180	210	240	300	360	420

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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.