First Semester MBA Degree Examination, June 2012
Managerial Economics

Time: 3 hrs.   Max. Marks:100

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

1   a.   What do you mean by perfect competition?   **(03 Marks)**
     b.   Briefly explain the types of elasticity of demand.   **(07 Marks)**
     c.   Discuss the scope and nature of managerial economics.   **(10 Marks)**

2   a.   Define an opportunity cost.   **(03 Marks)**
     b.   What is incremental principle and time perspective?   **(07 Marks)**
     c.   Explain the Maris's theory of maximization of firm's growth rate.   **(10 Marks)**

3   a.   What is beak even analysis?   **(03 Marks)**
     b.   Explain the features of oligopoly.   **(07 Marks)**
     c.   A firm sells its products at the rate of Rs.7 per unit. The variable cost is Rs.2 per unit and the fixed cost Rs.80000.
         i)   Calculate the BEP.
         ii)   Profit if the firm sells 40000 units
         iii)   What is BEP, if selling price is reduced to Rs.5 per unit?   **(10 Marks)**

4   a.   What is meant by 'Return to scale'?   **(03 Marks)**
     b.   Explain the uses of elasticity of demand in brief.   **(07 Marks)**
     c.   How is the equilibrium price and output of a firm determined under monopolistic competition? Explain.   **(10 Marks)**

5   a.   What is production function? Name any two variable inputs of it.   **(03 Marks)**
     b.   What are ISOQUANTS? Mention the assumptions underlying to draw ISOQUANTS.
                                                          (07 Marks)
     c.   Explain the concepts of average fixed cost, average variable cost, average cost and marginal cost. Show their interrelationship.   **(10 Marks)**

6   a.   What is meant by "Griffen paradox"?   **(03 Marks)**
     b.   State and explain law of supply.   **(07 Marks)**
     c.   Define "economics of scale". Explain the five forms of internal economics.   **(10 Marks)**

7   a.   What is demand forecasting?   **(03 Marks)**
     b.   State the law of demand and illustrate it with an example.   **(07 Marks)**
     c.   Write a short note on price skimming, penetration pricing and full cost pricing.   **(10 Marks)**

8   <u>Case Study</u>:

Navrang - a movie theatre in a town has two types of customers: (i) College students and (ii) Senior citizens. The college students will watch the Sunday morning movie, if the ticket price is Rs.50/- or less and the senior citizens will watch, if the price is Rs.25/- or less. Also assume that there is no other cost in showing the movie, so the profit is same as the revenue from the sale of tickets.

On Sunday morning, there are 40 college students and 20 senior citizens in the theatre. The theatre has three price strategies. (i) Uniform rate of Rs.25/- for all (ii) Uniform rate of Rs.50/- for all and (iii) Rs.50/- for college students and Rs.25/- for senior citizens.

     a.   Calculate the profits of the theatre under above three strategies each.   **(10 Marks)**
     b.   Advise and give your comments on the above strategies and profits. Which price strategy or option would you advice, as an economist?   **(10 Marks)**

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