



CBCS SCHEME

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.