

MASTER OF BUSINESS ADMINISTRATION
First Semester
MANAGERIAL ECONOMICS
(MBA - 103)

Duration: 3Hrs.

Full Marks: 70

Part-A (Objective) =20
Part-B (Descriptive) =50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

Answer any *five* of the following questions:

1. Distinguish between 'returns to a factor' and 'returns to a scale'? Explain the law of variable proportions with the help of an imaginary schedule and graph. (2+8=10)
2. What is price discrimination? Mention the essential conditions of price discrimination. Distinguish between price discrimination and product differentiation. (2+3+5=10)
3. What do you mean by advertisement outlay? Discuss the various methods for determining total advertising budget. (2+8=10)
4. What is demand forecasting? Estimate the sales for the year 2003 and 2004, with the help of the following information, by applying the Barometric method. (2+8=10)

Year	1988	1990	1992	1994	1996	1998
Sales (Crores)	30	40	45	50	48	57

5. Why do most firms produce multiple products? Explain the condition for profit maximisation for a multiple product firm. (4+6=10)

6. Mention the fundamental conditions of equilibrium of a firm under marginal approach. Explain with diagram, how a monopolistic competitive firm attains equilibrium in the short period. (2+8=10)
7. What is production function? Distinguish between production function and production process. Why is it useful in the analysis of the behaviour of a firm? (2+4+4=10)
8. Discuss the relationship of managerial economics with microeconomics. Briefly explain the scope and subject matter of managerial economics. (4+6=10)

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Duration: 20 minutes

Marks – 20

(PART A- Objective Type)

I. Choose the correct answer:

1×20=20

1. As the price of good increases, the change in the quantity demanded can be shown by
 - (a) moving up along the same demand curve
 - (b) moving down along the same demand curve.
 - (c) shifting the demand curve rightward.
 - (d) shifting the demand curve leftward.
2. Management decision problems are comprised of three elements. Which of the following is not one of them?
 - (a) profitability
 - (b) alternatives
 - (c) constraints
 - (d) objectives
3. The slope of and isoquant is
 - (a) MRS
 - (b) MRT
 - (c) MRTS
 - (d) None
4. The production trade-off of an economy given a fixed resources is represented by
 - (a) cost curve
 - (b) demand curve
 - (c) supply curve
 - (d) production possibility curve
5. The study of micro-economics does not include -
 - (a) demand of vegetables in the market.
 - (b) impact of VAT on industrial production.
 - (c) strategy of operation by a firm.
 - (d) Inflationary tendency of the economy.
6. A firm under imperfect competition is said to be in equilibrium when
 - (a) MC is less than MR
 - (b) MR is greater than AR
 - (c) AR is equal to MR
 - (d) MC is equal to MR
7. For inferior goods, income elasticity of demand is
 - (a) greater than 1
 - (b) positive
 - (c) less than 1
 - (d) negative

8. Which of the following statements describes increasing returns to scale?
(a) Doubling the inputs used leads to double the output.
(b) Increasing the inputs by 50% leads to a 25% increase in output.
(c) Increasing inputs by $1/4$ leads to an increase in output of $1/3$.
(d) Increment in inputs has no impact upon the output.
9. Mass production is characterized by
(a) low volume high variety (b) high volume low variety
(c) high volume high variety (d) low volume low variety
10. If a firm moves from one point on a production isoquant to another, which of the following will not happen –
(a) a change in the level of output.
(b) a change in the ratio in which the inputs are combined.
(c) a change in the marginal products of the inputs.
(d) a change in the rate of technical substitution.
11. Which of the following costs can be positive when output is zero?
(a) Marginal cost (b) Total variable cost
(c) Total fixed cost (d) No costs
12. Economies of scale can occur as a result of which of the following?
(a) Increasing marginal returns as the firm increases its size.
(b) Lower fixed cost as the firm increases its size.
(c) Increased total cost when the firm increases its size.
(d) Greater specialization of labour and capital as the firm increases its size.
13. A relative price is the _____.
(a) increasing marginal returns as the firm increases its size.
(b) lower fixed cost as the firm increases its size.
(c) price of a related good.
(d) Price of one good divided by the price of another.
14. The return to entrepreneurship is known as _____.
(a) normal profit (b) opportunity revenue
(c) normal revenue (d) economic profit
15. A firm's total revenue minus its total opportunity cost is called its _____.
(a) net profit (b) abnormal profit
(c) economic profit (d) accounting profit
16. The shape of the AFC
(a) slope upward (b) slope downward
(c) Horizontal straight line (d) none
17. Presence of 'selling cost' is a typical characteristic of
(a) monopolistic competitive market (b) monopoly
(c) perfect competition (d) oligopoly

18. In perfect competition, a firm's marginal revenue equals its:

- (a) supply curve
- (b) average revenue
- (c) price
- (d) total cost

19. Which theory of profit holds that profit will be higher in industries characterized by a high degree of variability in their revenues or their costs?

- (a) Risk-bearing theory
- (b) Frictional theory
- (c) Monopoly theory
- (d) Innovation theory

20. Marginal Cost is given as

- (a) TC
- (b) Q, Q
- (c) $AR, AR-MR$
- (d) $\Delta TC/\Delta Q$
