VPM's
DR VN BRIMS, Thane
Programme: PGDM (2016-18)
First Trimester Examination October 2016

Subject	**Managerial Economics**		
Roll No.		**Marks**	**60 Marks**
Total No. of Questions	**7**	**Duration**	**3 Hours**
Total No. of printed pages	**2**	**Date**	**8.10.2016**

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions. Graph paper will not be provided. Draw the graph on the answer sheet itself.

Q1) 20 Marks (Compulsory)

Answer the following questions. Each sub-question carries equal marks.

a) Explain with examples what are the factors that affect demand for a good?

b) What is price ceiling? What are the consequences on the economy because of that?

c) What is market failure? What is the meaning of externality? Explain with example what the different types of externalities are.

d) What are public goods? Why does the market fail to provide for public goods?

Attempt Any FOUR from the Remaining SIX Questions

Q2) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Explain with a diagram what will happen to the price of a good if government decreases the subsidy offered on the production of that good?

b) What is the meaning of cross elasticity of demand (XED)? What is the business relevance of XED?

c) What are the various ranges of values for price elasticity of supply (PES)? Explain with diagrams.

Q3) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) A demand function is Qd = 400 – 2P and a supply function is Qs = -100 + 2P. P is in Rs. and Q is in thousand units per week. Calculate the equilibrium price and quantity.

b) Plot the demand and supply functions for the price range P = Rs. 100 to P = Rs. 200, and identify the equilibrium price and quantity on your graph.

c) When P = Rs.190, Rs.170, Rs.125, determine whether there is excess demand or excess supply, and calculate the amount of this in each case. Explain how excess demand and excess supply work to restore equilibrium in the market.

Q4) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) What is price floor? What are the effects of that on various stakeholders?

b) What is the impact of negative production externalities on social surplus? Explain with an example.

c) What are the measures that the government can take to correct negative consumption externalities?

Q5) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) The demand function is Qd = 800 − 5P and Qs = − 200 + 3P, where P is in Rs. Find the equilibrium price and quantity mathematically.

b) The government imposes a tax of Rs.24 per unit. Derive the new supply function and calculate the price paid by consumers, the price received by producers, and the new equilibrium quantity.

c) Calculate the change in consumer expenditure, the change in firm revenue, the change in government revenue, the change in consumer surplus, the change in producer surplus and welfare (deadweight) loss.

Q6) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) What are the measures that the government can take to provide public goods?

b) What are common access resources? Why does the market may cause harm to them?

c) What are the measures that the government can take to protect common access resources?

Q7) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Explain the concept of total, marginal and average cost. What is the difference between short run and ling run in production?

b) For the following table calculate the total product and average product.

Units of variable input (labour)	Total Product	Marginal Product	Average Product
0		-	
1		3	
2		5	
3		4	
4		3	
5		2	
6		0	
7		-1	
8		-3	

c) With the help of diagrams show what are the shapes of the following curves in general: Total Fixed Cost, Total Variable Cost, Total Cost, Average Fixed Cost, Average Variable Cost, Average Total Cost, and Marginal Cost.