

Managerial Economics

ME 01

Roll No.

Total No. of Printed Pages: 5

Total No. of Questions : 7

Maximum Marks : 60

Duration (hrs.) : 3

Section, if any :

Note : Q.1. is compulsory, carry 20 marks
Q2 - Q7, carry 10 marks each

Q1. 20 Marks

A. (10 Marks- 2 marks each X 5)

1. Categories of Categories of demand are made on the basis of _____ time unit for which it is demanded and relation between two goods (2 marks)

- a) Nature of demand
- b) The nature of commodity demanded
- c) The level of price of a commodity

2. Market equilibrium occurs when _____ (2 marks)

- a) supply is equal to demand
- b) Demand is equal to Price
- c) Revenue is equal to Cost

3. Pick odd one out and give reason. (2 marks)

- a) Availability and proximity of substitutes
- b) Alternative uses of the commodity.
- c) Proportion of income spent on the commodity
- d) Future expectations of price

4. Match the following. (2 marks)

a. Survey of sellers, sales representatives, dealers	1. Sample Survey Method
b. Survey of few representative buyers from the target group	2. Trend Projection
c. Cyclical movement in demand	3. Sales force composite method
d. Interest Rates in the economy	4. Smoothing Technique
e. Economic Variables estimation	5. Barometric Technique
f. Variations in the trends	6. Regression Analysis

5. Division of labour/ specialization, Financial economies are _____ economies of scale and Technological advancement, development of infrastructure _____ economies of scale. (2 marks)

- a) Internal
- b) External

B. (10 marks)

ABC Ltd. company has carried out a statistical exercise in the company to estimate demand function for its product. The demand function for its product is

$$Q = 400 - 3P - 2P_r + 0.4I + 0.6A$$

Where Q is the quantity demanded, P is the price of the product, P_r is the price of the related product, I is per capita disposable income and A is the Advertising expenditure. At present $P = \text{Rs.}15$, $P_r = \text{Rs.}20$, and $I = \text{Rs.}7000$ and $A = \text{Rs.}1000$

- What is the Price elasticity of demand for the firm's product?
- What is the Income elasticity of demand for the firm's product?
- What is the Cross elasticity of demand between the product and its related product?
- The nature of the related product is a substitute or a complementary product? Why?
- What is the Advertising Elasticity of Demand for the firm's product?

Answer Any 4 Out of 6

Q2. Following is the production and Cost schedule of a company in the short run

Labour (Units)	Total Product (Output)	Marginal Cost
1	200	50
2	500	30
3	900	27
4	1100	25
5	1200	33
6	1210	45
7	1000	80

Answer any 2 out of 3

- Calculate Average output and Marginal Output from the above information and state which stages of Variable returns apply and at what level of output?
- How does the Marginal Cost behave with respect to stages of Variable returns? And what would be the labour efficiency at each stage? Why?
- What do you mean by Marginal Output? State the Law of Variable proportions and what are stages of Variable returns?

Q. 3. Answer any 2 out of 3

- a. What are different methods of measuring Market Concentration? Explain in brief.
- b. What are different determinants of Pricing? Explain in brief how Pricing of a product is done under Monopoly?
- c. Explain in Brief any two models of Oligopoly Pricing.

Q.4. Answer any 2 out of 3

- a. What is Perfect competition? State important characteristics of Perfect Competition.
- b. What is Price discrimination? Explain in brief various bases of Price Discrimination
- c. Explain in brief various degrees of Price discrimination and give one example for each degree and explain any two Cost based pricing strategies.

Q. 5. Amity Enterprises is a company that manufactures food processors. The company believes that its product is slightly above the products already existing in the market with some additional features. Now the company wants to launch the product first time in the market and wants to determine its demand and fix the price for the product. The main competitors and their prices are as follows:

L.T. India Ltd. - Rs. 6500

T.S. India Ltd. – Rs. 6250

MBS India ltd.- Rs. 6000

Jetty India Ltd. – Rs. 5900

Answer any 2 out of 3

1. What is the competition structure that Amity Enterprises operates in your opinion? Why?
2. If the company wants to forecast demand for the product, what type of subjective methods can it apply? And what are their major advantages and disadvantages?
3. If the company decides to price the product based on competition based pricing strategies, what are the different strategies available for the company? Briefly explain them.

Q6. Answer any 2 out of 3

- a. Define Demand and Law of Demand. State and briefly explain various determinants of and exceptions to Law of Demand.
- b. State different types of Projects that firm undertakes which qualify as Investment decisions and How Net cash flows are estimated for a project?
- c. Which are three different methods of Capital Budgeting? Is there a possibility that two methods will give two different results with respect to project accept or reject decision? And how does a manager deal with it?

Q.7. Answer any 2 out of 3

- a. What is the production Function and what are major differences between production function in the short run and long run?
- b. Briefly explain the three types of Returns to Scale with an example.
- c. Explain briefly about the costs in the long run and decision making based on analysis of these costs?