Lib copy.

Dr. V. N. Bedekar Institute of Management Studies

16/4/2007

M. M. S. II — 3 HOURS

MANAGERIAL ECONOMICS — 100 MARKS

N.B.: 1.Question No. 1 is compulsory. Answer any FIVE from the remaining questions.

2. Figures to the right indicate marks for the question.

3. It is the quality of answers and the capacity to analyze will count more in the evaluation of answers.

4. Draw good diagrams where necessary.

---

1. a) Explain the following concepts in brief...... (5)

i) Utility (ii) market economy (iii) demand (iv) Giffen goods (v) N. P. V.

b) Answer briefly – (5)

i. Why do the firms need to forecast demand?
ii. Explain the need for capital budgeting.

2. a) Explain the relationship between Managerial Economics and various decision sciences. (8)

b) The demand and the supply functions in a commodity market are given as : $D = 14 - 2P$ and $S = 2 + 4P$

Determine the equilibrium price and quantity. Find the new price and quantity if the demand curve changes to $D = 21 - 2P$ (10)

3. a) Describe how the consumer attains maximum satisfaction in the cardinal Utility analysis. (8)

b) Describe different kinds of elasticity of demand and state the formulas to measure them. (5)

c) i) Given the demand function for small engines $P = 2000 - 5Q$ where P is the price and Q is the number of engines sold per month, what will be the price of the engine if the seller wants to sell 20 engines per month? (5)

ii) What is the price elasticity of demand if $P = 500$?

4. a) Explain the behavior of the production function in the short run and in the Long run with the help of isoquants. (10)

b) Given the total cost function $TC = 100Q - 3Q^2 + 0.1Q^3$. (4)

P.T.O

Q2.

Q3.

Q4.

Q5.

Q6.

Q7.

Determine the average cost function and the rate of output to minimize average cost.

c) Explain the relationship between AC and MC. (4)

5. a) Explain how does the firm determine profit maximizing rate of output. (8)

b) Describe Break Even Analysis of the firm. (5)

c) Given that the fixed cost is Rs. 600000 and price Rs 4 and the AVC = 2, find the quantity at which break even is achieved. If the firm desires to earn a profit of Rs. 100000, how much should it produce? (5)

6. a) Why is price rigidity observed in the Oligopoly market? (8)

b) Explain the use of the selling cost b y the firms in the monopolistic competition. (5)

c) The firm's capital budget is $ 20000 and the cost of the capital is 12%, Evaluate the following projects by NPV method. (5)

Net Cash Flows $ per year.

	A	B
Year 1	9000	6700
Year 2	9000	6700
Year 3	9000	6700

7.a) Describe the use of Input Output Analysis for macroeconomic forecasting And planning. (8)

b) Given the following the data of two sectors, determine the total outputs of the sector when the final demands change to 180 and 440 units respectively. (8).

	A	B	F
A	200	250	50
B	100	500	400