

## END TERM EXAMINATION

FIRST SEMESTER [MBA] DEC.2014- JAN.2015

Paper Code: MS-105

Subject: Managerial Economics

MS(FM)-105

MIB-103

Time : 3 Hours

Maximum Marks :60

Note: Attempt any five questions.

- Q1 (a) Explain the use of economics in business decision making. (6)  
(b) How will the production possibility curve of an economy affected by the following: (6)  
(i) Creation of new Job opportunities under a programme like the MNREGA, and  
(ii) Discovery of a huge gold reserve in the country.
- Q2 Indifference curve analysis has been dubbed as 'old wine in the new bottle'. Do you agree? Give reasons. (12)
- Q3 Draw expansion path for a firm that enjoys economies of scale. Does this condition last forever. Give reasons. (12)
- Q4 Explain the importance of demand forecasting in business decision making. Also explain with the help of an example 'fitting the straight line trend' method of forecasting. (12)
- Q5 Long-run average cost (LRAC) Curve, conceptually is drawn as a U-shaped curve, flatter than the LRMC (Marginal Cost) curve. But in practice it need not be same always. Diagrammatically, explain the relationship between LRAC and LRMC curve. (12)
- Q6 Write short notes on any three of the following: (3x4=12)  
(a) Real per capita income as an index of economic welfare.  
(b) Prisoner's Dilemma  
(c) Normal profit and ab-normal profit.  
(d) Calculation of cross elasticity coefficient and its interpretation.  
(e) Use of distinction between 'incremental' and 'marginal' concept in business decision-making.
- Q.7 Explain the nature and causes of recent inflation in India. Do you think that monetary policy alone can tackle this problem on a sustainable basis. Give reason. (12)
- Q8 For an emerging economy like India, economic policy cannot have an exclusive focus on rapid growth; it needs to incorporate elements of social justice. Elaborate. (12)

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