(Please write your Exam Roll No.) *Exam Roll No. ....*

END TERM EXAMINATION

FIRST SEMESTER [MBA] DECEMBER 2016

Paper Code: MS-105 ***MS(FM)-105*** ***MIB-103***	***Subject: Managerial Economics***

Time :3 Hours ***Maximum Marks :75***

Note: Attempt any five questions including Q no.1 which is compulsory. All questions carry equal marks.

Q1 Explain the following (restrict your answer within 50 words):
(a) Difference between a shift in the supply curve and a movement along the supply curve.
(b) How a market price is different from equilibrium price?
(c) Why two indifference curves can not intersect?
(d) Why the marginal rate of technical substitution is likely to diminish as more and more labour is substituted for capital?
(e) What is the difference between economies of scale and returns to scale?
(f) Why there is no market supply curve under conditions of monopoly?
(g) What is Nash equilibrium?
(h) The owner of a small retail store does her own accounting work. How would you measure the opportunity cost of her work?

Q2 Managerial economics uses economic concepts and quantitative methods to solve managerial problems. Explain illustratively.

Q3 (a) Identify the most important determinants of the demand function that a firm faces for the commodity it sells.
(b) Agricultural commodities are known to have a price- inelastic demand and are considered to be necessities. Use this information to explain why the income of farmers fall
(i) after a good harvest and
(ii) in relation to the incomes from other sectors of the economy

Q4 (a) The appropriate forecasting technique tends to vary over the life cycle of a product. Discuss.
(b) A proprietor of a small manufacturing unit approaches a bank for financing equipment worth Rs. 1,00,000/-. The bank offers him the following two options.
(A) Renewable 5-year mortgage at 9% interest rate with a down payment of 20%.
(B) Renewable 5-year mortgage at 9.5% interest rate with a down payment of 10%.
In case of both the options, only interest is to be paid during the first 5-year period and there after the loan is renewable at the interest rates then existing and would be restructured with monthly payments designed to amortize the loan over 20 years.

Find out the true incremental costs if option B is exercised as against option A by the borrower under the impression that additional funds borrowed under it entail only 0.5% higher rate of interest.

Q5 What are Iso-quants and Iso-cost curves? Explain the producer's equilibrium using them.

Q6 (a) What are the reasons for the existence of monopoly?
(b) Can a monopolist incur losses in the short run? Why?

P.T.O.