END TERM EXAMINATION

FIRST SEMESTER [MBA] NOV.-DEC. 2018

Paper Code: MS-105	Subject: Managerial Economics
MBA(FM)-105	
MS(FM)-105	

Time : 3 Hours   Maximum Marks :75

Note: Attempt any five questions. All questions carry equal marks.

Q1 Would you consider theory of revealed preference to be superior to cordinal and ordinal theories of utility? Defend your answer with logical arguments. Illustrate your arguments with the help of an example and suitable diagram.

Q2 Consider a firm that wants to enter the mobile phone industry. Which are techniques (subjective and/or quantitative) that it can apply to forecast demand for its mobile? What can be the limitations of econometric methods of forecasting demand?

Q3 Explain the concept of MRTS (Marginal Rate of Technical Substitution). Explain why, MRTS diminishes as we move down on isoquant for most production functions? Also explain the concept of elasticity of substitution. Find out the value of the elasticity of substitution in case of Cobb-Doughlas production function.

Q4 XYZ soft drinks has a production function as $Q=2\sqrt{KL}$, where Q is the output (number of bottles per month), K is the amount of capital used per month (in thousands of units) and L is the labour used (in thousands). The firm pays Rs.8 per hour of labour and Rs. 2 per unit of capital. Given this information find the following:
(i) Total cost in long run
(ii) Assume that the firm has 10 thousand units of capital in the short run. Now calculate total cost, average cost and marginal cost in the short run.
(iii) Level of output for which cost is minimized in the long run.

Q5 What is 'managerial economics'? How does it differ from economics? Which economic principles are related to managerial decisions? Also discuss the nature and scope of managerial economics.

Q6 Is it always useful for a seller to lower the price in order to increase sales revenue? What lessons from the concept of elasticity can you draw while fixing the price?

Q7 No method of national income accounting is perfect. Critically evaluate the difficulties in measuring national income accounting.

Q8 How can credit control check inflation? Would increasing supply of goods be a better measure to check inflation than credit control? Why would the government try to control inflation?

Q9 Write short on **any three**:
(i) Nash equilibrium.
(ii) Oligopoly
(iii) Determinants of Economic Development
(iv) Economies of scale Vs Economies of Scope.

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