

UGANDA MARTYRS UNIVERSITY

**FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT & FACULTY OF
EDUCATION**

**BACHELOR OF BUSINESS ADMINISTRATION & MANAGEMENT & BACHELOR
OF EDUCATION (BAED & BSC. EDUC)**

FIRST YEAR END OF SEMESTER I FINAL ASSESSMENT

COURSE UNIT: MANAGERIAL ECONOMICS I / MICROECONOMICS 1

COURSE UNIT CODE: ECO1106

DATE: MON 18/12/23

TIME: 9.30 - 12.30 PM

DURATION: 3 HOURS



- **INSTRUCTIONS:**
- Read the instructions on the cover of the answer book and the question paper
- Carefully read through ALL the questions before attempting
- The total number of questions in this paper is SIX. Attempt FOUR questions
- Relevant examples will earn you marks
- Write legibly.
- Do not write anything on the question paper.

Question One

Production Possibility Frontier reflects opportunity cost of producing one good over the other. Understanding the production possibility frontier is crucial for managerial economists, policy makers and businesses as it provides a simple yet powerful tool for analyzing and making decisions in the realm of resource allocation and production; as a managerial economist in a production setting make a presentation to your immediate supervisor:

- (a) Discussing the assumptions underlying a Production Possibility Frontier (12 marks)
- (b) Showing how does the concept of opportunity cost aid decision making. (13 marks)

Question Two

In managerial economics, elasticity is crucial for decision making. Managers use elasticity to understand how changes in factors like price or income affect the demand for their products. There are insights that help managers optimize pricing strategies and make informed decisions about production and resource allocation. As managerial economist make a report to key stakeholders highlighting salient issues to with;

- (a) Factors determining elasticity of demand for a commodity. (15 marks)
- (b) The uses of the knowledge of price elasticity of demand to government. (10 marks)

Question Three

- (a) "Suppliers are classified basically according to their numbers as well as the number of consumers or buyers" Discuss (11 marks)

- (b) Managers consider various factors when assessing and determining the supply of a commodity;

Discuss those factors that influence supply of a commodity (14 marks)

Question Four

- (a) There are various economic systems often discussed by managerial economists. However in Uganda, we categorically fall under a mixed economy. Why is Uganda referred to as mixed economy? (10 marks)

(b) Discuss the benefits and costs of being a mixed economy

(15 marks)

Question Five

Managerial economists often analyze producer surplus to understand the efficiency and profitability of production decisions. Maximizing producer surplus is a common goal for firms, as it contributes to overall economic welfare and reflects the firm's ability to capture value from its activities. Basing on that analysis prepare a report answering managerial concerns about the following;

(a) Differentiating a consumer surplus from a Producer Surplus

(6 marks)

Price per unit	300	350	400	450	500	550	600	650
Quantity supplied	1	2	3	4	5	6	7	8

(b) Given the table below

Given the market price is shs.550. Calculate the producer surplus if 6 units are sold. (7 marks)

(c) Accounting for consumers' demand for goods

(12 marks)

Question Six

Managerial economists typically focus on optimizing business decisions, including pricing strategies, to achieve organizational goals. While they analyze market conditions and competition to set prices, direct control over market prices may not be feasible due to factors beyond their influence, such as market demand and supply dynamics. Instead, they aim to make informed pricing decisions that align with overall business objectives and economic principles, basing on that background Write brief notes about the following:

- (a) Price Control
- (b) Price ceiling
- (c) Price support
- (d) Price floor
- (e) Maximum price legislation
- (f) Minimum price legislation

@ 4 marks)

End