

Enrollment No.....



Faculty of Management Studies
End Sem Examination Dec 2024
MS5CO02 Managerial Economics

Programme: MBA

Branch/Specialisation: Management

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

		Marks	BL	PO	CO	PSO
Q.1	i. Which of the following is NOT a characteristic of managerial economics? (a) Microeconomic analysis (b) Use of quantitative techniques (c) Focus on macroeconomic policies (d) Application of economic theory to business problems	1	1	3	1	
	ii. The difference between Gross Domestic Product (GDP) and Net National Product (NNP) is primarily due to: (a) Depreciation (b) Subsidies (c) Indirect taxes (d) Consumption	1	1	3	2	
	iii. Ceteris paribus refers to: (a) The concept of equality (b) The assumption that all other variables remain constant (c) The relationship between supply and demand (d) The law of supply	1	1	3	2	
	iv. Opportunity cost is best defined as: (a) The cost of producing additional units of a good (b) The cost associated with a lost opportunity (c) The total cost of production (d) The cost of the next best alternative forgone	1	1	2	2	
	v. The Law of demand states that: (a) As the price of a good increases, quantity demanded increases. (b) As the price of a good decreases, quantity demanded decreases. (c) As the price of a good increases, quantity demanded decreases, ceteris paribus. (d) Quantity demanded is independent of price changes.	1	1	3	3	

[2]

vi.	If the price elasticity of demand is greater than 1, the demand is considered: (a) Inelastic (b) Elastic (c) Unit elastic (d) Perfectly elastic	1	1	5	3
vii.	Isoquants represent: (a) The various combinations of inputs that yield the same level of output. (b) The total cost of production at different levels of output. (c) The relationship between price and quantity supplied. (d) The levels of output at which marginal cost equals marginal revenue.	1	1	5	4
viii.	In the long run, all costs are considered: (a) Variable (b) Fixed (c) Total (d) Marginal	1	1	3	4
ix.	In a monopoly, the firm: (a) Has no control over price (b) Is a price taker (c) Is a price maker (d) Faces a perfectly elastic demand curve	1	1	3	5
x.	The kinked demand curve model in oligopoly suggests that: (a) Prices are rigid and do not change (b) Firms will match price decreases but not price increases (c) All firms will collude to set prices (d) Demand is perfectly elastic	1	1	3	5
Q.2	i. Define managerial economics and explain its scope. ii. Is managerial economics a positive or normative science? Discuss. iii. Compare the circular flow of income in a three-sector economy with that of a four-sector economy. Use diagrams to illustrate your answer.	2 2 4	1 1 1	3 3 1	1 1 1
OR	iv. Define GDP, NNP, and NI. Explain how they are calculated and their significance in economic analysis.	4	2	3	1
Q.3	i. Explain the concept of opportunity cost. Why is it important in decision-making? ii. State the law of diminishing marginal utility. Discuss its implications for consumer behaviour and demand.	3 5	2 2	1 3	3 2
OR	iii. Explain the concept of sales maximization. What are the conditions under which a firm may prioritize sales over profits?	5	1	1	2

[3]

Q.4	i. Define demand. What are the key determinants that influence demand for a product?	3	1	1	3
	ii. Define income elasticity of demand and its measurement. How does it differ from price elasticity of demand?	5	2	1	3
OR	iii. State the law of supply. Discuss how the law of supply relates to the supply curve and the factors that can cause a shift in the supply curve.	5	2	1	3
Q.5	i. Define the law of returns to scale. Attempt any two: ii. Write short notes on total cost, average cost, and marginal cost. iii. Explain the difference between long run and short run costs. iv. State and explain the law of variable proportions.	2 3 3 3	1 1 2 1	3 1 1 1	2 2 2 3
Q.6	Attempt any two: i. Define monopolistic competition. What are its key features, and how does price determination differ from perfect competition? ii. Discuss the concept of a cartel. What are the conditions necessary for cartel formation? iii. What are objectives of demonetization? How can it impact the economy.	4 4 4	1 1 2	3 3 3	5 5 5
Q.7	Case Study: Demand and Supply Analysis Scenario: The Smartphone Market A new smartphone model is launched by a leading tech company. Initially priced at Rs. 25000, the demand is high, with many consumers eager to buy. However, after a month, the company notices a significant drop in sales despite the high demand. Questions: (a) What factors could lead to a decrease in demand for the smartphone after its initial launch? (b) How might the company adjust its pricing strategy to increase demand? (c) Discuss the impact of substitute products on the demand for this smartphone.	10	2,3	1, 3, 5	3

Marking Scheme
MS5CO02 (T) Managerial Economics (T)

MSSCO02 (1) Managerial Economics (1)			
Q.1	i)	c) Focus on macroeconomic policies	1
	ii)	a) Depreciation	1
	iii)	b) The assumption that all other variables remain constant	1
	iv)	d) The cost of the next best alternative forgone	1
	v)	c) As the price of a good increases, quantity demanded decreases, ceteris paribus.	1
	vi)	b) Elastic	1
	vii)	a) The various combinations of inputs that yield the same level of output	1
	viii)	a) Variable	1
	ix)	c) Is a price maker	1
	x)	b) Firms will match price decreases but not price increases	1
Q.2	i.	Define Managerial Economics and explain its scope. Definition - 1 Mark Scope - 1 Mark	2
	ii.	Is Managerial Economics a Positive or Normative Science? Discuss. - 2 Marks	2
	iii.	Circular flow of income in a three-sector economy with diagram - 2 Marks Circular flow of income in a four-sector economy with diagram - 2 Marks	4
	OR	iv.	Define GDP, NNP, and NI. Explain how they are calculated and their significance in economic analysis. Define GDP, NNP, and NI - 2 Marks how they are calculated - 1 Mark their significance in economic analysis - 1 Mark
Q.3	i.	Concept of opportunity cost -1.5 Marks Why is it important in decision-making -1.5 Marks	3
	ii.	Law of diminishing marginal utility - 2 Marks Discuss its implications for consumer behaviour and demand - 3 Marks	5
	OR	iii.	Concept of sales maximization - 2 Marks Conditions under which a firm may prioritize sales over profits 3 Marks
Q.4	i.	Define demand - 1 Mark Determinants that influence demand - 2 Marks	3
	ii.	Define income elasticity of demand and its measurement - 3 Marks Price elasticity of demand - 2 Marks	5
	OR	iii.	Law of supply - 2 Marks Relation to the supply curve - 1 Mark Factors that can cause a shift in the supply curve - 2 Marks
Q.5	i.	Define the law of returns to scale. - 2 Marks Attempt any two:	2
	ii.	Write short notes on total cost, average cost, and marginal cost. Total cost - 1 Mark Average cost - 1 Mark Marginal cost - 1 Mark	3
	iii.	Long run cost - 1.5 Marks Short run cost - 1.5 Marks	3
	iv.	State and explain the law of variable proportions. - 3 Marks	3
Q.6		Attempt any two:	
	i.	Define monopolistic competition. - 1 Mark What are its key features - 2 Marks	4

- How does price determination differ from perfect competition - 1 Mark
- ii. Concept of a cartel - 2 Marks **4**
Conditions necessary for cartel formation - 2 Marks
- iii. Objectives of demonetization - 2 Marks **4**
How can it impact the economy - 2 Marks

- Q.7 Case Study **10**
1 Mark. What factors could lead to a decrease in demand for the smartphone after its initial launch? -4 Marks
2 Marks. How might the company adjust its pricing strategy to increase demand? - 3 Marks
3 Marks. Discuss the impact of substitute products on the demand for this smartphone. - 3 Marks
