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Enrollment No.....



Faculty of Management Studies  
End Sem (Odd) Examination Dec-2019  
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.

- Q.1 i. Managerial economics generally refers to the integration of economic theory with business 1  
(a) Ethics (b) Management  
(c) Practice (d) All of these
- ii. Which of the following is the best definition of managerial economics? Managerial economics is 1  
(a) A distinct field of economic theory.  
(b) A field that applies economic theory and the tools of decision science.  
(c) A field that combines economic theory and mathematics.  
(d) None of these
- iii. Which best describe consumer surplus? 1  
(a) The price consumers are willing to pay for a unit  
(b) The cost of providing a unit  
(c) The profits made by a firm  
(d) The difference between the price a consumer pays for an item and the price he/she is willing to pay for it
- iv. The term opportunity cost refers to as: 1  
(a) Total cost of production  
(b) Present benefits given up to grab the new available opportunity  
(c) Cost of generate opportunity to earn  
(d) None of these

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- v. If a product is an inferior good: **1**  
 (a) Demand is inversely related to income  
 (b) Demand is inversely related to price  
 (c) Demand is directly related to price  
 (d) Demand is directly related to the price of substitutes
- vi. According to the law of diminishing marginal utility: **1**  
 (a) Utility is at a maximum with the first unit  
 (b) Increasing units of consumption increase the marginal utility  
 (c) Marginal utility will fall as more units are consumed  
 (d) Total utility will rise at a falling rate as more units are consumed
- vii. Given the price, if the cost of production increases because of higher price of raw materials, the supply **1**  
 (a) Decreases (b) Increases  
 (c) Remains same (d) Any of these
- viii. The cost recorded in the books of accounts are considered as **1**  
 (a) Total cost (b) Marginal cost  
 (c) Average cost (d) Explicit cost
- ix. Monopoly power in a market is likely to: **1**  
 (a) Increase consumer surplus  
 (b) Increase community surplus  
 (c) Lead to higher producer surplus  
 (d) Lead to lower prices and lower output
- x. When a firm's average revenue is equal to its average cost, it gets **1**  
 \_\_\_\_\_.  
 (a) Super profit (b) Normal profit  
 (c) Sub normal profit (d) None of these
- Q.2 i. Discuss the fundamental nature of managerial economics with example. **3**  
 ii. Explain the circular flow of income in four sector economy. **7**  
 iii. What do you mean by managerial economics? Discuss the importance of managerial economics with current example. **7**
- Q.3 i. Write a short note on ceteris paribus. **2**

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- ii. Critically explain multiplier concept. Also discuss that if the tax collection of central government is not optimum in such condition what will be impact on multiplier process. **8**
- OR iii. Explain Baumol's sales revenue maximization theory. Also discuss its utility in the present business environment. **8**
- Q.4 i. Write a short note on law of diminishing marginal utility. **4**  
 ii. The present government said that India stands for 3Ds- Democracy, Demography and Demand. Discuss the importance of demography and demand to influence the international trade in the favour of India. **6**
- OR iii. What do you mean by price elasticity of demand? Explain the types of price elasticity of demand. **6**
- Q.5 i. Write a short note on diminishing marginal rate of technical substitution. **4**  
 ii. Explain the law of variable proportions. Also discuss that which stage of production is suitable for a firm. **6**
- OR iii. Explain the types of internal economies and external economies. **6**
- Q.6 Attempt any two:  
 i. Explain the short-run equilibrium of the firm and industry under the perfect competition. **5**  
 ii. India is facing lower economic growth rate. To increasing the economic growth what steps has been taken by the present government. Discuss it. **5**  
 iii. What do you mean by the business cycle? Explain the various phases of business cycle. **5**

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## Marking Scheme

### MS5CO02 Managerial Economics

Q.1	i.	Managerial economics generally refers to the integration of economic theory with business (c) Practice	1
	ii.	Which of the following is the best definition of managerial economics? Managerial economics is (b) A field that applies economic theory and the tools of decision science.	1
	iii.	Which best describe consumer surplus? (d) The difference between the price a consumer pays for an item and the price he/she is willing to pay for it	1
	iv.	The term opportunity cost refers to as: (b) Present benefits given up to grab the new available opportunity	1
	v.	If a product is an inferior good: (a) Demand is inversely related to income	1
	vi.	According to the law of diminishing marginal utility: (c) Marginal utility will fall as more units are consumed	1
	vii.	Given the price, if the cost of production increases because of higher price of raw materials, the supply (a) Decreases	1
	viii.	The cost recorded in the books of accounts are considered as (d) Explicit cost	1
	ix.	Monopoly power in a market is likely to: (c) Lead to higher producer surplus	1
	x.	When a firm's average revenue is equal to its average cost, it gets _____. (b) Normal profit	1
Q.2	i.	Three points with with examples of two time periods (1 mark*3)	3
	ii.	Define four sector of economy Real flow and money flow Assumptions Explanation with diagram and equation	2 mark 1 mark 1 mark 3 mark
	iii.	Define managerial economics Six importance of managerial economics with current example (1 mark*6)	1 mark 7
	i.	Write a short note on ceteris paribus. (Step wise marking)	2
	ii.	Define multiplier concepts and write formula of it: Assumption of multiplier	1 mark 1 mark

OR	iii.	Multiplier with table and graph	4 mark	8
		Criticise multiplier	1 mark	
		Discuss that if the tax collection of central government is not optimum in such condition what will be impact on multiplier process	1 mark	
		Statement of the theory	1 mark	
		Assumption	1 mark	
		Theory with graph	4 mark	
		Criticism of the theory	1 mark	
		Utility in the present business environment	1 mark	
		Meaning	1 mark	
		Law with the help of table and graph	3 mark	
Q.4	ii.	Importance of demography to influence the international trade in the favour of India. (Step wise marking)	6	6
		Importance of demand to influence the international trade in the favour of India. (Step wise marking)		
		Meaning of price elasticity of demand with formula.	6	
		1 mark		
		Five types of price elasticity of demand with diagram (1 mark*5)		
Q.5	i.	Meaning of DMRTS	1 mark	6
		DMRTS with table and graph	3 marks	
		Statement of law and write one definition	1 mark	
		Assumption	1 mark	
		Law of variable proportion with table and graph	3 marks	
OR	iii.	Stages of production is suitable for a firm	1 mark	6
		Any three internal economics	3 marks	
		Any three external economics	3 marks	
		Attempt any two:		
		Explain the short-run equilibrium of the firm any four diagram (1 mark*4)	5	
Q.6	ii.	Short-run equilibrium of the industry with diagram	1 mark	5
		Discuss the various measures taken by the present government	5 marks	
		Business cycle	1 mark	
		The various phases of business cycle with diagram	4 marks	

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