

Total No. of Questions: 7

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Enrollment No.....



Programme: MBA

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?	1	1	3	1
	(a)	Microeconomic analysis				
	(b)	Use of quantitative techniques				
	(c)	Focus on macroeconomic policies				
	(d)	Application of economic theory to business problems				
ii.	The difference between Gross Domestic Product (GDP) and Net National Product (NNP) is primarily due to:	1	1	3	2	
	(a) Depreciation	(b) Subsidies				
	(c) Indirect taxes	(d) Consumption				
iii.	Ceteris paribus refers to:	1	1	3	2	
	(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					
iv.	Opportunity cost is best defined as:	1	1	2	2	
	(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					
v.	The Law of demand states that:	1	1	3	3	
	(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.					

	[2]		[3]
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	Q.4 i. Define demand. What are the key determinants that influence demand for a product? ii. Define income elasticity of demand and its measurement. How does it differ from price elasticity of demand?
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	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.
viii.	In the long run, all costs are considered: (a) Variable (b) Fixed (c) Total (d) Marginal	1 1 3 4	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.
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	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.
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.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.
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 1 3 1 2 1 3 1 4 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 2 1 3 5 2 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	*****

Marking Scheme

MS5CO02 (T) Managerial Economics (T)

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

- 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
