Enrollment No.....................................

Faculty of Management
End Sem (Odd) Examination Dec-2018
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.   What you can conclude from the following two statements.   **1**
     I.   Human wants are virtually unlimited and insatiable, and
     II.   Economic resources to satisfy these human demands are limited.
     (a) Scarcity of resources   (b) Unlimited resources
     (c) Both (a) and (b)   (d) None of these.

  ii.   Circular flow of income in a 2-sector economy includes.   **1**
     (a) Government and Private firm
     (b) Private firm and export & import
     (c) Household & Government
     (d) Households & Private firms.

  iii.   Find the value of multiplier if MPC is 1/5   **1**
     (a) 4/5   (b) 5/4   (c) 5/3   (d) None of these

  iv.   Opportunity cost is known as   **1**
     (a) Total cost
     (b) Marginal Cost
     (c) Sum of average cost and average variable cost
     (d) The return from the next best alternative use

  v.   Indifference curves are **1**
     (a) Convex to the origin   (b) Concave to the origin
     (c) Upward   (d) None of these

vi. Price elasticity of demand can be measured by **1**
   (a) Percentage change in quantity demanded divided by Percentage change in Price
   (b) Percentage change in Price divided by Percentage change in quantity demanded
   (c) Percentage change in Price divided by Percentage change in Income
   (d) None of these

vii. In _____, change in all factors of production is possible. **1**
   (a) Short period   (b) Long period
   (c) Intermediate period   (d) Market period.

viii. If marginal product goes on decreasing it should be understood that the law of …………… is in operation. **1**
   (a) Increasing cost   (b) Decreasing cost
   (c) Constant cost   (d) Average cost

ix. In perfect competitive market, firms are price……... **1**
   (a) Maker   (b) Taker
   (c) Both (a) and (b)   (d) None of these

x. Charging different prices for the same product or service from the different consumers on the basis of personal, situational and trade considerations is termed as ………. **1**
   (a) Price discrimination   (b) Price partiality
   (c) Price bias   (d) None of these

Q.2 i. Write a short note on national income. **2**
   ii. Explain the significance of managerial economics in business. **8**
OR iii. Explain the circular flow of income in a four-sector economy. **8**

Q.3 i. Write a short note on consumer surplus. **2**
   ii. Critically discuss the multiplier concept. Also discuss its utility in business. **8**
OR iii. Discuss the Baumol's concept in the present business scenario. **8**

Q.4 i. Write a short note on income elasticity of demand. **2**
   ii. Explain the law of demand. Discuss its importance in business. **8**

OR iii. Explain the price elasticity of demand. Discuss its importance in business. **8**

Q.5 i. What do you mean by production function? Explain short run and long run production function. **3**
   ii. Explain the law of Variable Proportions. Discuss which stage of production is suitable for business. **7**
OR iii. What do you mean by ISO-quant? Explain properties of ISO-quant. **7**

Q.6   Attempt any two:
   i. Explain the price and output determination under the perfect competition in the short run. **5**
   ii. Explain the various phases of business cycle. Discuss how these phases helpful in business. **5**
   iii. Explain the kink in the oligopolistic market. **5**

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Marking Scheme

MS5CO02 Managerial Economics

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Q.1 i. What you can conclude from the following two statements. **1**
      I. Human wants are virtually unlimited and insatiable, and
      II. Economic resources to satisfy these human demands are limited.
      (a) Scarcity of resources

ii. Circular flow of income in a 2-sector economy includes. **1**
    (d) Households & Private firms.

iii. Find the value of multiplier if MPC is 1/5 **1**
    (b) 5/4

iv. Opportunity cost is known as **1**
    (d) The return from the next best alternative use

v. Indifference curves are **1**
    (a) Convex to the origin

vi. Price elasticity of demand can be measured by **1**
    (a) Percentage change in quantity demanded divided by Percentage change in Price

vii. In _____, change in all factors of production is possible. **1**
    (b) Long period

viii. If marginal product goes on decreasing it should be understood that the law of …………… is in operation. **1**
    (a) Increasing cost

ix. In perfect competitive market, firms are price……... **1**
    (b) Taker

x. Charging different prices for the same product or service from the different consumers on the basis of personal, situational and trade considerations is termed as ………. **1**
    (a) Price discrimination

Q.2 i. National income. **2**
ii. Significance of managerial economics **8**
    Any eight points 1 mark for each (1 mark *8)
OR iii. Circular flow of income in a four-sector economy **8**
    Four sector of economy with real flow and money flow
               5 marks

Diagram of four sector economy 2 marks
Equation of four sector economy 1 mark

Q.3 i. Definition of Consumer surplus. 1 mark **2**
    Draw the table of consumer surplus 1 mark
ii. Definition of multiplier 1 mark **8**
    Explanation of multiplier concept with table and graph
            4 marks
    Assumptions 1 mark
    Criticism 1 mark
    Utility in business 1 mark
OR iii. Baumol's concept 2 marks **8**
    Explanation of the concept 2 marks
    Arguments in support of the concept 2 marks
    Utility of concept in the present business scenario 2 marks

Q.4 i. Definition of income elasticity of demand 1 mark **2**
    Formula of income elasticity of demand. 1 mark
ii. Statement of the law 2 marks **8**
    Explanation of the law with table and graph 3 marks
    Assumptions 1 mark
    Discuss the importance of law of demand 2 marks
OR iii. Price elasticity of demand. (Five types) **8**
    1 mark for each (1 mark * 5) 5 marks
    Utility of price elasticity of demand 3 marks

Q.5 i. Definition production function. 1 mark **3**
    Short run production function. 1 mark
    Long run production function 1 mark
ii. Statement of law of Variable Proportions 1 mark **7**
    Assumptions of the law 1 mark
    Explanation of the law with table and graph 4 marks
    Stage of production is suitable for business. 1 mark
OR iii. Definition of ISO-quant with table and graph. 2 marks **7**
    Any five properties of ISO-quant.
    1 mark for each (1 mark *5) 5 marks

Q.6   Attempt any two:

     i.   Price and output determination under the perfect competition in   **5**
            the short run with logic and graph
            Any Five Conditions 1 mark for each condition   (1 mark *5)

     ii.   Four phases of business cycle 1 mark for each   **5**
            (1 mark *4)   4 marks
            Utility of business cycle in business.   1 mark

     iii.   Kink in the oligopolistic market with logic and graph.   **5**

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