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

Faculty of Management Studies
End Sem Examination Dec-2023
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.

Q.1   i.   What is the significance of managerial economics in decision-making? **1**
         (a) It ensures that businesses always maximize profits
         (b) It helps in making informed decisions under conditions of scarcity
         (c) It focuses solely on government policies
         (d) It is not relevant in the business world

   ii.   Which of the following is NOT a measure of national income? **1**
         (a) GDP (Gross Domestic Product)
         (b) NNP (Net National Product)
         (c) MNC (Multinational Corporation)
         (d) NI (National Income)

   iii.   Negative acceleration implies: **1**
         (a) Consistent increase in investment, regardless of economic conditions
         (b) A decrease in investment that is proportional to changes in national income
         (c) A sudden surge in investments when the economy is stable
         (d) A constant rate of investment growth, regardless of economic fluctuations

   iv.   What is the relationship between the marginal utility and total utility for a consumer? **1**
         (a) Marginal utility is always zero when total utility is maximized
         (b) Marginal utility is negative when total utility is maximized
         (c) Marginal utility starts decreasing as total utility increases
         (d) Marginal utility is equal to total utility

v. What is the primary purpose of an indifference curve analysis in consumer theory? **1**
   (a) To calculate total utility
   (b) To measure income elasticity
   (c) To analyze the relationship between price and demand
   (d) To show combinations of goods that yield the same level of satisfaction

vi. According to the Law of Demand, what happens when the price of a good decreases, all else being equal? **1**
   (a) The quantity demanded decreases
   (b) The quantity demanded remains unchanged
   (c) The quantity demanded increases
   (d) The quantity supplied decreases

vii. What do isoquants represent in production theory? **1**
   (a) Cost functions
   (b) Different output levels
   (c) Different input combinations yielding the same output
   (d) The law of diminishing marginal returns

viii. What is the Marginal Rate of Technical Substitution (MRTS)? **1**
   (a) The rate at which output decreases as input increases
   (b) The rate at which input increases as output decreases
   (c) The rate at which one input can be substituted for another while keeping output constant
   (d) The rate at which the total cost increases with each unit of production

ix. Which phase of the business cycle is characterized by high unemployment and reduced economic activity? **1**
   (a) Expansion   (b) Peak
   (c) Recession   (d) Trough

x. What is a defining characteristic of perfect competition? **1**
   (a) Many sellers, each with a unique product
   (b) A single seller with no close substitutes
   (c) Homogeneous products and many buyers and sellers
   (d) A few sellers, each with significant market power

Q.2 i. Differentiate between microeconomics and macroeconomics. **3**
    ii. Discuss the nature and scope of managerial economics. **7**

OR iii. Describe the circular flow of income in a four-sector economy with the help of diagram. **7**

Q.3 i. What do you mean by "Investment Multiplier"? **2**
    ii. Discuss the concept of "Ceteris Paribus" and its role in economic analysis with the help of suitable example. **8**
OR iii. Explain the following theories of the firm: **8**
    (a) Baumol and Williamson
    (b) Cyert, and March

Q.4 i. Define the law of diminishing marginal utility. **2**
    ii. Explain the concept of elasticity of demand and its significance in pricing and production decisions. **8**
OR iii. Explain the cardinal and ordinal approaches to consumer behavior analysis. **8**

Q.5 i. Differentiate between short-run and long-run costs. **3**
    ii. Explain the law of variable proportions with curve and examples. **7**
OR iii. Explain the concept of economies of scale and diseconomies of scale with the help of example. **7**

Q.6 i. Write short note on oligopoly market. **3**
    ii. Describe the process of price determination under perfect competition. **7**
OR iii. Explain the concept of break-even analysis with example and graph. Also state the significance of the break-even point for businesses. **7**

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Marking Scheme
Managerial Economics (T) - MS5CO02 (T)

Q.1	i)	b) It helps in making informed decisions under conditions of scarcity	1	
	ii)	c) MNC (Multinational Corporation)	1	
	iii)	b) A decrease in investment that is proportional to changes in national income	1	
	iv)	c) Marginal utility starts decreasing as total utility increases	1	
	v)	d) To show combinations of goods that yield the same level of satisfaction	1	
	vi)	c) The quantity demanded increases.	1	
	vii)	c) Different input combinations yielding the same output.	1	
	viii)	c) The rate at which one input can be substituted for another while keeping output constant.	1	
	ix)	c) Recession.	1	
	x)	c) Homogeneous products and many buyers and sellers.	1	

Q.2	i.	Three points…….. macroeconomics.	(1 mark*3)	3
	ii.	According to the ……economics. (Points)	(1 mark *7)	7
	iii.	Four-sector economy	5 Marks	7
		For diagram.	2 marks	
OR				
	iv	Explanation of Meaning	(As per answers)	2
Q.3	i.	Concept of "Ceteris Paribus"	5 Marks	8
		For explaining the role in economic analysis	2 Marks	
		with the help of suitable example.	1 Marks	
OR	ii.	Baumol, Marris, and Williamson	4 Marks	8
		Simon, Cyert, and March	4 Marks	

Q.4	i	Law of Diminishing Marginal Utility	(2 Marks)	2
	ii	Concept of elasticity of demand	(6 Marks)	8
		Significance in pricing and production decisions	(2 Marks)	
OR	iii	Explaining the cardinal approach	(4 Marks)	8
		Explaining the ordinal approach	(4 Marks)	
Q.5	i.	Three points of Difference	(1 Mark*3)	3
	ii.	Graph	2 Marks	7
		Examples	2 Marks	
		Explain	3 Marks	
OR	iii.	For explaining the concept of economies of scale	3.5 Marks	7
		For explaining the diseconomies of scale	3.5 Marks	
Q.6	i	Proper explanation oligopoly market	(As per explanation)	3
	ii	Process of price determination	(2 Graph*3)	7
		Explain	1 Mark	
OR	iii	For explaining concept of break-even analysis.	3 Marks	7
		For formula its formula, graph	3 Marks	
		the significance of the break-	1 Mark	

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