

FACULTY OF MANAGEMENT STUDIES

UNIVERSITY OF DELHI

Semester Examination 2012

Name of Examination..... MBA FULL TIME, Semester 1, November 2012

Paper Name **MANAGERIAL ECONOMICS** ..Paper No.....6103.....Option.....

Time allowed.....3 HOURS.....Hours Maximum Marks.....50.....

Instructions to candidates regarding the number of questions to be answered etc. should be indicated in space provided below.

Answer any five questions. All questions carry equal marks. Calculators are allowed.

Serial No. of Question	Answer any five questions. All questions carry equal marks.	Marks
1.	<p>(a) The price of desktop computers was slashed from Rs. 50,000 to Rs. X and it was observed that as a result, the sale of printers went up from 50 printers per month to 150 printers per month. If the cross price elasticity of printers with respect to the price of desktops is -1.5, find X using the arc method. Does the sign of the cross-price elasticity tell you anything regarding the relationship between the two goods?</p> <p>(b) Derive the relation between MR and elasticity of demand for a profit maximizing firm in a non-competitive market.</p>	7+3
2.	<p>The demand and supply functions for onions is given by: $Q_d = 10 - 0.5P$ $Q_s = -2 + P$. This is a perfectly competitive market.</p> <p>Analyze the effects of the following Government policies:</p> <p>(a) Government imposes a price ceiling of Rs. 6 in this market. Find out the quantity demanded and the quantity supplied in the market at this price. Is there going to be excess demand or excess supply in the market? Find out the magnitude of the excess demand or supply and show that graphically. How much quantity of onion will be sold in this market and at what price?</p> <p>(b) Government imposes a price ceiling of Rs. 12 in this market. Find out the quantity demanded and the quantity supplied in the market at this price. Is there going to be excess demand or excess supply in the market? Find out the magnitude of the excess demand or supply and show that graphically. How much quantity of onion will be sold in this market and at what price?</p>	5+5

3. Railway faces different demand curves for transporting coal and grain.
For coal: $P = 38 - Q$
For grain: $P = 14 - 0.25Q$
Marginal cost for railways is 10 and that is the same whether it is transporting coal or grain. This is a monopoly.

7+3

- (a) If railway decides to price discriminate, suggest a way to do that. Your suggestion should mention what prices should be charged for coal and grain and what quantities of coal and grain should be transported.
(b) Draw the demand curves and show the results graphically.

4. (a) True or false: When the monopolist operates in the inelastic region of a linear market demand curve, it can always increase profit by producing less. Explain. Use graphs, if needed.
(b) Why is marginal revenue for a monopoly firm less than the market price? Explain. Use graphs, if needed.

5+5

5. Consider the following simultaneous-move game:

3+5+2

Pepsi	Coke				
		\$10.50	\$11.50	\$12.50	\$13.50
	\$6.25	66, 190	18, 199	70, 198	73, 191
	\$7.25	79, 201	82, 211	85, 214	89, 208
	\$8.25	82, 212	86, 224	90, 229	95, 225
	\$9.25	75, 223	80, 237	85, 244	91, 245

- (a) Define a strictly dominated strategy?
(b) Do any of the players in this game have a strictly dominant strategy? If yes, then explain the process of identifying those in this problem.
(c) Find Nash equilibrium of this game by the method of identifying strictly dominant strategies.

6. Write short-notes on any two:
(a) Shutdown price for firms in competitive market
(b) Monopolistic competition
(c) Kinked demand curve model
(d) Utility maximization

5+5

Signature of Examiner