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Total Number of Pages: 02

Course: MBA
Sub_Code: MBEV1001

1st Semester Regular/Back Examination: 2025-26

SUBJECT: Managerial Economics

BRANCH(S): BA, FM, FM, FM&HRM, GM, HCHM, HRM, IB, ISEM, LSCM, MBA, MBA, MBA(A&M),
MBA(M&F), MM, RM

Time: 3 Hours

Max Marks: 100

Q.Code: U511

Answer Question No.1 (Part-I) which is compulsory, any eight from Part-II, and any two from Part-III.
The figures in the right hand margin indicate marks.

Part-I

Q1 Answer the following questions: (2 x 10)

- The study of _____ helps managers make optimal decisions under _____.
- Market demand is the sum of _____ demand of all consumers in the market and is influenced by _____.
- Price elasticity of demand measures the responsiveness of _____ to changes in _____.
- Supply analysis studies the relationship between quantity supplied and _____, assuming other factors like _____ remain constant.
- In the short run, when only one input is variable and others are fixed, the production function is called the _____ production function. The stage where marginal product starts declining is known as _____.
- Cost that changes with the level of output is called _____ cost, whereas cost that remains constant irrespective of output is _____ cost.
- A firm produces 100 units of output using 5 units of labor and 10 units of capital. If the labor is increased to 6 units while capital remains the same, output rises to 120 units. Calculate the Marginal Product of Labor (MPL).
- In a perfectly competitive market, firms are _____ and the price is determined by _____.
- Price skimming is a pricing strategy where a firm initially sets the price _____ and gradually _____ it.
- Full cost pricing involves adding a _____ to the total cost of a product to determine its _____.

Part-II

Q2 Only Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve) (6 x 8)

- Explain the relevance of economics for business decisions. How does managerial economics help firms in resource allocation and profit maximization?
- Differentiate between individual demand and market demand. Explain the determinants of demand with suitable illustrations.
- Explain three methods of measuring elasticity and discuss its significance in managerial decision-making.

- d) Why does the normal demand curve slope downwards? Can there be an upward rising demand curve? Explain with examples.
- e) Suppose a firm faces a cost function of $C = 8 + 4Q + Q^2$
- What is the firm's fixed cost?
 - Derive an expression for the firm's average variable cost and marginal cost.
- f) Differentiate between increasing, constant, and decreasing returns to scale. A firm increases all inputs by 50 %, and output increases by 80 %. Identify the type of returns to scale and justify your answer.
- g) A firm produces 100 units of output at a total cost of ₹ 5000 and 120 units at ₹ 5600. Determine the marginal cost of the 21st to 120th unit and explain its importance in output maximization and cost minimization decisions.
- h) Explain the difference between internal economies of scale, external economies of scale and economies of scope. Give one practical example of each from a manufacturing business.
- i) The price of Coffee increases from Rs.50 per kg to Rs.70 per kg, as a result the demand for Tea increases from 5 kg to 10 kg. What is the cross elasticity of demand of Tea for Coffee?
- j) Differentiate between consumption, saving, and investment. How do these concepts influence the phases of the business cycle?
- k) Define inflation and explain the role of fiscal and monetary policies in controlling it. Give a simple example of each policy in action.
- l) Explain the concepts of full cost pricing and product pricing. Provide an example of when each method is used in business decision-making.

Part-III

Only Long Answer Type Questions (Answer Any Two out of Four)

- Q3** A Biscuit manufacturing company has the following variable cost function. **(16)**
 $TVC = 200Q - 9Q^2 + 0.25Q^3$
 If the company fixed costs are equal to Rs.150 lakhs. Find out
- Total Cost function
 - Marginal Cost function
 - Average Total cost function
 - Average Variable cost function
- At what output levels average variable cost and marginal cost will be minimum.
- Q4** a) Explain the Short Run Production Function under the Law of Variable Proportions, clearly bringing out its three stages with the help of Total Product (TP), Average Product (AP), and Marginal Product (MP) curves. **(8)**
- b) Discuss the Long Run Production Function and the concept of Returns to Scale. Explain Increasing, Constant, and Decreasing Returns to Scale with suitable illustrations **(8)**
- Q5** Define National Income and explain its concepts and methods of measurement. Discuss the phases of the business cycle and analyze the role of Fiscal Policy and Monetary Policy in controlling inflation and stabilizing the economy. Illustrate how consumption, saving, and investment influence national income. **(16)**
- Q6** Critically examine the descriptive pricing approaches adopted by firms operating under different market conditions, with suitable illustrations. **(16)**