

**Subject Code: MB912**

**MBA I Semester [R09] Regular Examinations, January 2010**

**MANAGERIAL ECONOMICS**

**Time: 3 Hours**

**Max Marks: 60**

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**Answer any FIVE questions All questions carry EQUAL marks**

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- 1) Define managerial economics. Explain the role of managerial Economist?
- 2) Differentiate between marginalism and equi-marginalism?
- 3) What is elasticity of demand? How do you measure the price elasticity of demand?
- 4) Explain Cobb-Douglass production function. What are the economies of scale?
- 5) What are the determinants of cost? Explain the saucer shaped short-run average cost curves.
- 6) What are the different types of markets? Explain the “Bain’s” limit pricing theory?
- 7) Discuss the break even analysis with the help of diagrams. Explain its assumptions and limitations.
- 8) Case study

The ICICI bank is running the business on the hypothesis that it deals only in borrowing money (through public deposits only i.e., fixed deposits, saving bank accounts and current accounts) and in lending money and through car loans. The bank incurs the following costs.

<b>Fixed costs</b>	<b>Rs. in lakhs</b>
Salaries of managerial staff	100
Rent of the premises	120
Advertising costs	85
Depreciation	35
Total	340

<b>Variable costs</b>	<b>Amount in Rs.</b>
Stationary & printing	60
Wages	55
Power charges	75
Raw material	300
Total	490

The interest revenue of the bank per lakh of Rs. per annum is Rs. 1800. Let us determine (a) the number of loans that the bank has to issue in order to break even and (b) if the bank wants to earn a profit of Rs. 100 lakhs, how many loans will it have to issue.