Subject Code: MB912

M B A - I Semester [R09] Regular/Supplementary Examinations, February - 2012

MANAGERIAL ECONOMICS

Time: 3 Hours **Max Marks: 60**

Answer any FIVE questions. All questions carry EQUAL marks including Q.No.8 is compulsory

1. (a)Define Managerial Economics. State the significance of Managerial economics.
   (b) Explain how short run and long run cost function can be used by firm's profit Maximization and cost control decision.

2. (a) Distinguish between Opportunity cost concept and incremental cost concept.
   (b) Briefly outline the statistical method of estimating cost function.

3. (a)What are the various methods of demand forecasting. Evaluate various forecasting techniques.
   (b) What do you understand by demand forecasting? Survey method is one of the techniques of demand forecasting. Discuss its different types.

4. (a) What is Economies of scale? Discuss Cobb-Douglas production function.
   (b) Discuss the concept of production function with one variable input along with illustration.

5. (a) Briefly explain the importance of cost function. Bring out the determinants of cost.
   (b) Explain the economic method of estimating cost function. Why is this method is more popular than other methods of cost estimation?

6. (a) Explain the various process of price fixation under monopoly.
   (b) What do you understand by price discrimination? Explain the conditions which make it possible and profitable

7. (a) Explain break-even analysis on the basis of its concept, use, drawbacks and advantages.
   (b) What is cost-benefit analysis? Discuss briefly the steps involved in social cost benefit analysis of a project.

Subject Code: MB912

8. Case Study: Read the following case and answer the questions that follow:

THEORY AND REAL WORLD MARKETS

The theory of perfect competition describes how firms act in a market structure where (1) there are many buyers and sellers, none of which is large in relation to total sales or purchases; (2) sellers sell a homogeneous product; (3) buyers and sellers have all relevant information; (a) there is easy entry and exit. These assumptions are closely met in very few real world markets. These assumptions may however be approximated in some real world markets. In such markets, the number of sellers may not be large enough for every firm to be a price taker, but the firm's control over price may be negligible. The amount of control may be so negligible, in fact, that the firm acts as if it were a perfectly competitive firm. Similarly, buyers may not have all relevant information concerning price and quality, but they may still have a great deal of information and the information they do not have may not matter. The products that the firms in the industry sell may not be homogeneous, but the differences may be inconsequential.

In short, a market that does not meet the assumptions of perfect competition may nonetheless approximate those assumptions to such a degree that it behaves as if it were a perfectly competitive market. If so, the theory of perfect competition can be used to predict the market's behaviour.

Questions:

(a) A price taker does not have the ability to control the price of the product it sells. What does this mean ?

(b) Why is a perfectly competitive firm a price taker ?

(c) The horizontal demand curve for the perfectly competitive firm signifies that it cannot sell any of its products for a price higher than the market equilibrium price. Why can't it ?

(d) Suppose the firms in a real world market do not sell a homogeneous product. Does it necessarily follow that the market is not perfectly competitive ?

* * *