

Section—C

(Long Answer Type Questions)

Note : Attempt any two questions. Each question carries 10 marks.

6. (a) What do you understand by economies and diseconomies of scale ? Show with the help of long run average cost curve. 5
- (b) Suppose of a firm produces 1000 units of product A and 2000 units of product B at a cost ₹ 1,00,000. However, if the two products are produced separably and the costs for the same output levels of A and B are ₹ 50,000 and ₹ 80,000 respectively, find out economies/diseconomies of scale. 5
7. An oligopolist faced a demand curve $Q = 60 - P$. Its total cost function is $TC = 200 + 3Q + 0.5 Q^2$. Find equilibrium price, quantity and profits if it is a profit maximiser.
8. Define margin of safety. What is its significance in production decisions making ? What is the relationship between margin of safety and P/v ratio ?
9. (a) 'Profit is an essential payment and without this, the entire economy will come to standstill.' Do you agree ? 5
- (b) What is the relationship between average cost (AC) and marginal cost (MC) ? Why are they 'U' shaped ? 5

Roll No.

BBA-501(N)

B. B. A. (Fifth Semester)
EXAMINATION, Dec., 2017

(New Course)

Paper First

MANAGERIAL ECONOMICS

Time : Three Hours]

[Maximum Marks : 70

Note : Attempt questions from all Sections as directed.

Inst. : The candidates are required to answer only in serial order. If there are many parts of a question, answer them in continuation.

Section—A

(Short Answer Type Questions)

Note : Attempt all questions from this Section. Each question carries 3 marks. Briefly answer the following questions.

1. (A) Discounting principle is crucial for any decision which involves intertemporal choices. Explain.
- (B) How does the managerial economics different from pure economics ?
- (C) How can replacement demand of consumer durables be predicted ?

- (D) The demand function is $Q = \frac{50}{P}$. Find out the price of which elasticity is one.
- (E) Explain the staircase type cost curve with an example. Also derive its average cost curve.
- (F) The total cost functions of a firm is $TC = 50 + 4Q + 2Q^2$. Find out its MC and AC functions.
- (G) The equilibrium of a monopolist will be at a point on the demand curve where the elasticity is greater than one. Explain.
- (H) Distinguish between penetration pricing and skimming pricing.
- (I) Discuss the types of inflation.
- (J) The fixed cost of production in a factory is ₹ 5,000 P. M., the average variable cost is ₹ 7 while the price is ₹ 10 per unit. How much minimum output the firm should produce and sell per annum to avoid losses?

Section—B

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

2. Explain equimarginal principle. How does it lead to most efficient allocation of a resource use? Show with an example.

3. A bank offers you to deposit ₹ 7,500 which it promises to repay in three equal installments of ₹ 3,000 each. The first installment will be paid at the end of the first year. Another bank offers you an annual interest of 9% on deposits. Which offer should be accepted?
4. (a) What is derived demand and how does it differ from direct demand?
(b) Enumerate the different methods of demand forecasting.
5. Sharma Brothers is a multi-product firm engaged in the production of consumption goods. Two of its products X and Y, are related in consumption. The past experience of the firm indicates the following relationships :

Price of X	Price of Y	Q_D of X	Consumer's Income (per capita)
150	200	5000	10000
175	225	5500	10500
175	250	6000	10500
200	250	5500	10500
200	250	6500	12500

- (a) Could the price elasticity of demand for X between price ₹ 150 and ₹ 175 we computed? Why or why not?
- (b) What is the relationship between X and Y?
- (c) If Sharma Brothers' win at maximum sales revenue from product X, would you recommend to raise the price of X from ₹ 175 to ₹ 200? Why or why not?