PG Odd Semester (CBCS) Exam., November—2016

BUSINESS ADMINISTRATION

(1st Semester)

Course No. : MBACC–102

(Managerial Economics)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. (a) What is the difference between 'marginal' and 'incremental' analysis? Discuss giving an example of each analysis. 2+5=7

    (b) What are the basic problems usually faced by a manager which needs economic analysis to solve? Explain. 7

OR

2. (a) "Managerial economics is the science of making business decisions in the presence of scarce resources." Elaborate. 7

    (b) Critically explain the goals of firm. 7

(*Turn Over*)

3. (a) State the 'law of demand'. What are its exceptions? 7

    (b) Explain briefly 'price elasticity' and 'advertising elasticity' of demand. 7

4. (a) "Production function establishes relationship between input and output." Illustrate. 7

    (b) Zindal Tools, a cycle manufacturing firm wants to produce 200 nos. of bicycle wheels. In producing these 200 wheels the economist of Zindal Tools presented the status of resources and alternative through the following figure and data :

(*Continued*)
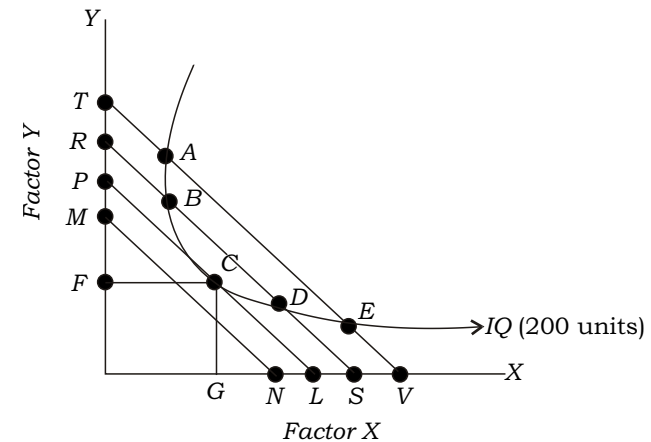
The factor combinations and cost data for manufacturing were as follows :

Combination(s)	Factor-X (in ₹)	Factor-Y (in ₹)	Total cost (in ₹)
A (NM)	10,000	10,000	20,000
B (LP)	15,000	15,000	30,000
C (SR)	20,000	20,000	40,000
D (VT)	25,000	25,000	50,000

The production manager decided the combination A (NM), because the total cost of input combination is lowest.

(i) What are the names of lines joining N with M, L with P; S with R; and V with T point? 1

(ii) What combination did suggested through the figure by the economist of Zindal Tools? Explain. 3

(iii) Did the production manager do any mistake in his selection of alternative combination? Give opinion. 3

5. Observe the following cost data in the table :

Output units	Total fixed cost	Total variable cost
0	100	0
1	100	76
2	100	128
3	100	162
4	100	184
5	100	200
6	100	216
7	100	238
8	100	272
9	100	324
10	100	400

(a) Calculate total cost, average cost, average total cost, marginal cost for all units of output. 5

(b) Draw a diagram explaining cost behaviour of total cost, average cost and marginal cost. Also explain short-run cost functions based on the available data and figure you have drawn. 3+6=9

OR

6. Explain the characteristics of monopolistic competitive market. How the monopolistic firm determines sales and profit? Explain. 7+7=14

(5)

7. *(a)* Explain 'gross domestic product' and 'net domestic product'.   7

    (b) Explain any three monetary measures to control inflation.   7

OR

8. *(a)* "Fluctuation in all economic transactions affect entire economy as a whole." Explain how.   7

    (b) What is 'balance of payments'? Explain the components of balance of payments.   7

★ ★ ★