



**MB 102**

**I Semester M.B.A. Examination, August 2011  
MANAGERIAL ECONOMICS**

Time : 3 Hours

Max. Marks : 75

*Instructions: Answer all questions from Part – A and answer any five questions from Part – B.*

**PART – A**

Answer **all** :

**(6×5=30)**

1. Why do Managers need to know Economics ?
2. Explain the law of diminishing marginal utility.
3. Describe the types of demand.
4. What do you mean by production and explain the concepts of production function.
5. Write the Walker's theory of profit with suitable example.
6. Differentiate monopolistic and perfect competition in the market structure.

**PART – B**

Answer **any five** questions :

**(5×9=45)**

7. Describe the effects of each of the following managerial decisions or economic influences on the value of the firm :
  - A) The firm is required to install new equipment to reduce air pollution.
  - B) Through heavy expenditures on advertising, the firm's marketing department increases sales substantially.
  - C) The production department purchases new equipment that lowers manufacturing costs.
  - D) The firm raises prices. Quantity demanded in the short run is unaffected, but in the longer run, unit sales are expected to decline.
  - E) The Federal Reserve System takes actions that lower interest rates dramatically.
  - F) An expected increase in inflation causes generally higher interest rates and hence, the discount rate increases.

**P.T.O.**



8. In the wake of corporate scandals at Enron, Tyco and WorldCom, some argue that managers of large, publicly owned firms sometimes make decisions to maximize their own welfare as opposed to that of stockholders. Does such behavior create problems in using value maximization as a basis for examining managerial decision making ?
  9. Which concept the business profit concept or the economic profit concept provides the more appropriate basis for evaluating business operations ? Why ?
  10. Some argue that perscription drug manufacturers, like Pfizer, gouge consumers with high prices and make excessive profits. Others contend that high profits are necessary to give leading pharmaceutical companies the incentive to conduct risky research and development. What factors should be considered in examining the adequacy of profits for a firm or industry ?
  11. Illustrate the techniques of forecasting demand with relevant to consumer goods.
  12. Define and explain the laws of returns to scale with regard to theory of production.
  13. Explore the types of pricing strategies with relevant examples.
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