

PGDIFA Sem.-1 Examination

Paper-III

Managerial Economics

Time : 2-30 Hours]

May-2024

[Max. Marks : 70

Q-1

- What is Managerial Economics? Discuss the nature of managerial economics. (7)
- With help of an example, explain the concept of contribution analysis. (7)

OR

Q-1

- State and explain in detail (with the help of an illustration), the concept of incrementalism. (10)
- "While taking a business decision, both the short-term and long-term perspectives should be kept in mind". Analyse this statement in brief. (4)

Q-2

- Discuss any five factors affecting price elasticity of demand. (6)
- Price of sweater increases from Rs. 400/- to Rs. 450/-. As a result demand contracts from 6000 to 5000 units. Calculate price elasticity using proportionate method. (4)
- State whether the following statements are True or False. (4)
 - Price of a complementary good affects the demand for a good under consideration.
 - In case of substitute goods, cross elasticity of demand is zero.
 - All inferior goods are Giffen goods.
 - For normal goods, income elasticity of demand is positive.

OR

Q-2

- Explain briefly the usefulness of the concept of price elasticity of demand. (6)
- Discuss any three exceptions to the law of demand. (4)
- Answer the following in one statement each. (4)
 - What is the formula to calculate income elasticity of demand?
 - What will be the value of cross elasticity for two unrelated products?
 - If coefficient of advertising elasticity is zero, by how much will sales increase if selling expenses are increased by 8%?
 - Define Giffen goods.

Q-3

- Cost function is given as: (7)
 $C = 75 + 8Q^3 + 10Q^2 + 5Q$
 Where Q is the quantity of output produced. Find out TFC, AFC, TVC, AVC, AC, MC and TC for 3 units of output.
- Complete the following table with the help of given data. (5)

L	Q	AP _L	MP _L
1		40	
2		50	
3		30	
4		20	
5		10	

L – Labour, Q – Output, AP_L – Average Product of Labour, MP_L – Marginal Product of Labour

- Suppose the fixed costs of a firm are Rs. 28,000 and variable cost is Rs. 3/- per unit. The selling price is Rs. 10/-. Find out break-even level of output. (2)

OR

Q-3

- Explain the concept of cost reduction. (4)
- Explain the concept of economies of scope. (4)
- State whether the following statements are True or False: (6)
 - AFC curve never decreases
 - External economies and diseconomies are associated with a firm.
 - Value analysis is a tool of cost reduction.
 - If all inputs are increased by 8% and because of that if output increases by 12%, then it is a case of increasing returns to scale.
 - Productivity and cost are directly related.
 - Only a few factors of production can be changed in the long run.

Q-4

- a. Write a note on Kinked demand curve model. (7)
- b. Explain various features of monopolistic competition. (7)

OR

Q-4

- a. Write a note on oligopoly. (7)
- b. Differentiate between perfect competition and monopoly. (7)

Q-5

- a. Explain in detail the concept of mark-up pricing. (8)
- b. Write short notes on: (6)
 - (i) Importance of Pricing
 - (ii) Psychological Pricing

OR

Q-5

- a. Explain in detail the concept of price skimming. (8)
- b. Write short notes on: (6)
 - (i) Delivered pricing
 - (ii) Prestige pricing.

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