

## PGDIFA Sem.-1 Examination

## Paper-3

## Managerial Economics

Time : 2-30 Hours]

February-2025

[Max. Marks : 70

**Q.1) Solve the following problems****(10)**

(a) When price of a sandwich is increased from Rs. 30 to Rs. 35, its demand falls from 800 to 650 units. What is average price elasticity of demand?

(b) Rent paid by a firm is Rs. 10 lakh, salary payment is Rs. 7 lakh and interest payment is Rs. 2.5 lakh. Its variable cost per unit amounts to Rs. 580. Selling price of the product is fixed at Rs. 750. How many units (approximately) should the company produce in order to break even?

(c) Demand function is given as:

$$Q_d = 60 - 3P$$

- (i) What is the slope of this demand function?
- (ii) What is the quantity demanded at a price of Rs. 7?
- (iii) If the commodity is sold free, how many units of it will be demanded?
- (iv) At what price, will the demand become zero?

(d) Fill in the blank spaces in the following table:

Labor	Output	AP <sub>L</sub>	MP <sub>L</sub>
1	100		
2			60
3			20
4		47.5	
5	150		

AP<sub>L</sub> - average productivity of labor and MP<sub>L</sub> - marginal productivity of labor

**Q.2) Write short notes on ANY TWO of the following****(20)**

- (a) Scope of Managerial Economics      (b) Limit pricing      (c) Income elasticity of demand  
(d) Learning by doing      (e) Monopolistic competition      (f) Auction pricing and predatory pricing

**Q.3) Briefly answer the following****(20)**

- i) What is opportunity cost?
- ii) Define internal economies.
- iii) State the formula of savings in cost as a part of economies of scope.
- iv) State the principle of time perspective.
- v) Prove that  $AC = AFC + AVC$ .
- vi) Give any two examples of markets which are very close to perfect competition.
- vii) What is returns to scale?
- viii) Give any one measure to execute cost reduction.
- ix) Define indirect cost.
- x) List any two features of managerial economics.

**Q. 4) Answer ANY ONE of the following in detail****(10)**

- (a) Explain various features of oligopoly.      (b) Write an essay on break even analysis.  
(c) Explain cost-plus pricing strategy.

**Q.5) State whether the following statements are true or false****(10)**

- i) Managerial economics is multidisciplinary.
- ii) Income and demand are always directly related.
- iii) If two goods are perfect substitutes, cross elasticity of demand between them is infinite.
- iv) Economies of scope is related to two or more products.
- v) In the third stage of law of variable proportion, average productivity of labor becomes negative.
- vi) The vertical distance between TFC and TVC is AFC.
- vii) If due to a business decision, increase in costs exceeds increase in revenue, then the decision is not worth pursuing.
- viii) A monopoly firm faces downward sloping demand curve which is relatively steep.
- ix) According to cyclical pricing strategy, a firm must reduce prices when the economy is expanding.
- x) Contribution margin is calculated as the difference between price and AVC.

X-X-X-X-X-X-X-X-X-X-X-X