NF-138

December-2015

4th Year MBA (Integrated)

Managerial Economics

Time : 3 Hours]   **[Max. Marks : 100**

1. (a) Giving examples differentiate between micro, macro and managerial economics. Why do economic profits exist ?   **8**

   (b) Explain the relation between price elasticity and total expenditure. Show price effect in case of inferior good and giffen good.   **12**

2. (a) What is the difference between demand estimation and demand forecasting ? Write a note on regression analysis as tool of demand forecasting.   **10**

   OR

   (a) Discuss Barometric technique and projection techniques of demand forecasting.

   (b) Explain total revenue and total economic cost. How is shut down rule different from optimizing rule ?   **10**

3. (a) Explain Law of Variable Proportion in detail.   **10**

   (b) Discuss Cobb-Douglas Production function. Also discuss the relationship between short run production function and short run cost function.   **10**

   OR

   (b) What is the relationship between Short Run Average Cost and Short Run Marginal Cost? Explain the nature of these curves also.

4. (a) What is price discrimination ? What are the necessary conditions to practice price discrimination successfully ? Determine price and output for 3rd degree price discrimination.   **10**

   (b) Discuss the different types of price leadership observed in an oligopoly market.   **10**

   OR

(b) If firm A does not advertise, it earns a profit of ₹ 10 crore when firm B does not advertise and a profit of ₹ 4 crore when firm B advertise. If firm A advertises it earns ₹ 20 crore when firm B does not advertise and ₹ 6 crore when firm B does advertise. The same outcomes hold for firm B depending on what firm A does.

    (a) Write a pay-off matrix for this problem.

    (b) Does either firm have a dominated strategy ?

    (c) What is minimax solution ?

5. (a) How does wage rate and employment get determined in a Bilateral Monopoly ? **10**

<div align="center">OR</div>

(a) Discuss the concept of peak load pricing using a relevant example. How it improves resource allocation ?

(b) What is externality ? Briefly discuss government and market response to externality. **10**