

M. COM
First Semester
MANAGERIAL ECONOMICS
(MCM - 102)

Duration: 3Hrs.

Full Marks: 70

Part-A (Objective) =20
Part-B (Descriptive) =50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

Answer any *five* of the following questions:

1. Distinguish between 'returns to a factor' and 'returns to a scale'? Explain the law of variable proportions with the help of an imaginary schedule and graph.

(2+8=10)

2. What is price discrimination? Mention the essential conditions of price discrimination. Distinguish between price discrimination and product differentiation.

(2+3+5=10)

3. What do you mean by advertisement outlay? Discuss the various methods for determining total advertising budget.

(2+8=10)

4. What is demand forecasting? Estimate the sales for the year 2003 and 2004, with the help of the following information, by applying the Barometric method.

(2+8=10)

Year	1988	1990	1992	1994	1996	1998
Sales (Crores)	30	40	45	50	48	57

5. Why do most firms produce multiple products? Explain the condition for profit maximisation for a multiple product firm.

(4+6=10)

6. Mention the fundamental conditions of equilibrium of a firm under marginal approach. Explain with diagram, how a monopolistic competitive firm attains equilibrium in the short period. (2+8=10)
7. What is production function? Distinguish between production function and production process. Why is it useful in the analysis of the behaviour of a firm? (2+4+4=10)
8. Discuss the relationship of managerial economics with microeconomics. Briefly explain the scope and subject matter of managerial economics. (4+6=10)

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Duration: 20 minutes

Marks – 20

(PART A- Objective Type)

I. Choose the correct answer:

1×20=20

1. As the price of good increases, the change in the quantity demanded can be shown by
 - (a) moving up along the same demand curve
 - (b) moving down along the same demand curve.
 - (c) shifting the demand curve rightward.
 - (d) shifting the demand curve leftward.
2. Management decision problems are comprised of three elements. Which of the following is not one of them?
 - (a) profitability
 - (b) alternatives
 - (c) constraints
 - (d) objectives
3. The slope of and isoquant is
 - (a) MRS
 - (b) MRT
 - (c) MRTS
 - (d) None
4. The production trade-off of an economy given a fixed resources is represented by
 - (a) cost curve
 - (b) demand curve
 - (c) supply curve
 - (d) production possibility curve
5. The study of micro-economics does not include -
 - (a) demand of vegetables in the market.
 - (b) impact of VAT on industrial production.
 - (c) strategy of operation by a firm.
 - (d) Inflationary tendency of the economy.
6. A firm under imperfect competition is said to be in equilibrium when
 - (a) MC is less than MR
 - (b) MR is greater than AR
 - (c) AR is equal to MR
 - (d) MC is equal to MR
7. For inferior goods, income elasticity of demand is
 - (a) greater than 1
 - (b) positive
 - (c) less than 1
 - (d) negative

8. Which of the following statements describes increasing returns to scale?
- Doubling the inputs used leads to double the output.
 - Increasing the inputs by 50% leads to a 25% increase in output.
 - Increasing inputs by $\frac{1}{4}$ leads to an increase in output of $\frac{1}{3}$.
 - Increment in inputs has no impact upon the output.
9. Mass production is characterized by
- low volume high variety
 - high volume low variety
 - high volume high variety
 - low volume low variety
10. If a firm moves from one point on a production isoquant to another, which of the following will not happen –
- a change in the level of output.
 - a change in the ratio in which the inputs are combined.
 - a change in the marginal products of the inputs.
 - a change in the rate of technical substitution.
11. Which of the following costs can be positive when output is zero?
- Marginal cost
 - Total variable cost
 - Total fixed cost
 - No costs
12. Economies of scale can occur as a result of which of the following?
- Increasing marginal returns as the firm increases its size.
 - Lower fixed cost as the firm increases its size.
 - Increased total cost when the firm increases its size.
 - Greater specialization of labour and capital as the firm increases its size.
13. A relative price is the _____.
- increasing marginal returns as the firm increases its size.
 - lower fixed cost as the firm increases its size.
 - price of a related good.
 - Price of one good divided by the price of another.
14. The return to entrepreneurship is known as _____.
- normal profit
 - opportunity revenue
 - normal revenue
 - economic profit
15. A firm's total revenue minus its total opportunity cost is called its _____.
- net profit
 - abnormal profit
 - economic profit
 - accounting profit
16. The shape of the AFC
- slope upward
 - slope downward
 - Horizontal straight line
 - none
17. Presence of 'selling cost' is a typical characteristic of
- monopolistic competitive market
 - monopoly
 - perfect competition
 - oligopoly

18. In perfect competition, a firm's marginal revenue equals its:

- (a) supply curve
- (b) average revenue
- (c) price
- (d) total cost

19. Which theory of profit holds that profit will be higher in industries characterized by a high degree of variability in their revenues or their costs?

- (a) Risk-bearing theory
- (b) Frictional theory
- (c) Monopoly theory
- (d) Innovation theory

20. Marginal Cost is given as

- (a) TC
- (b) Q, Q
- (c) AR, AR-MR
- (d) $\Delta TC / \Delta Q$
