

MASTER of BUSINESS ADMINISTRATION  
FIRST SEMESTER  
MANAGERIAL ECONOMICS  
MBA - 103

Duration: 3 Hrs.

Marks: 70

Part : A (Objective) = 20

Part : B (Descriptive) = 50

[ PART-B : Descriptive ]

Duration: 2 Hrs. 40 Mins.

Marks: 50

[ Answer question no. One (1) & any four (4) from the rest ]

1. Explain the *Law of Variable Proportions* with the help of total and marginal physical product curves 10
2. What is Economics about? What are the central problems of an economy? 2+8=10
3. Discuss various factors that affect *Price Elasticity of Demand*. Calculate: Price Elasticity of Demand for a product is unity (1). Its demand is 25 units at a price of Rs. 5 per unit. If the price of the product rises to Rs. 6 per unit, how much quantity of the product will be demanded? 6+4=10
4. Compute TFC, TVC, AVC, AFC and MC from the following table: 2×5=10

Output (units)	0	1	2	3	4	5	6
TC (Rs.)	40	50	110	126	128	135	180

5. Define demand. Elaborate any five factors that affect demand for a commodity. 3+7=10
6. What are the features of a perfectly competitive market? Explain how to determine equilibrium price and output under perfect competition. 5+5=10
7. Define Fixed Cost and Variable Cost. Discuss the relationship between AC, AFC, AVC and MC. 2+8=10
8. What is Selling Cost? Explain the effects of advertising expenditure on demand. 2+8=10

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[ PART-A : Objective ]

Choose the correct answer from the following :

1×20=20

1. Which of the following is an example of complementary goods?
  - a. Tea and coffee
  - b. Coke and Pepsi
  - c. Rice and wheat
  - d. None of these
2. Demand for normal good \_\_\_\_\_ with an increase in the income of the consumer
  - a. Increases
  - b. Decreases
  - c. Remains same
  - d. Either increases or decreases
3. A, B and C are three commodities, where A and B are complementary; whereas A and C are substitutes. With increase in price of commodity A \_\_\_\_\_
  - a. Demand of all the commodities A, B and C will fall
  - b. Demand of commodities A and B will fall, whereas demand of C will rise
  - c. Demand of commodities A and C will fall, whereas demand of B will rise
  - d. Demand of commodities B and C will fall, whereas demand of A will rise
4. Expansion in demand leads to \_\_\_\_\_
  - a. Rightward shift in demand curve
  - b. Downward movement along the demand curve
  - c. Upward movement along the demand curve
  - d. None of these
5. Which of the following is not an assumption of Law of Demand?
  - a. Price of substitute goods do not change
  - b. Income of the consumers remains same
  - c. There is no change in taste and preferences of the consumers
  - d. Price of the given commodity does not change
6. Market demand curve is obtained by \_\_\_\_\_ summation of the individual demand curves
  - a. Vertical
  - b. Horizontal
  - c. Both A and B
  - d. Neither A nor B
7. If there is no change in demand for commodity X, even after rise in its price, then its demand is \_\_\_\_\_
  - a. Perfectly elastic
  - b. Perfectly inelastic
  - c. Less elastic
  - d. Highly elastic
8. Which of the following influences price elasticity of demand?
  - a. Nature of the commodity
  - b. Income level
  - c. Availability of substitutes
  - d. All of these
9. What would be the price elasticity of demand ( $E_d$ ) at the mid-point of a straight-line demand curve?
  - a.  $E_d = 0$
  - b.  $E_d < 0$
  - c.  $E_d = 1$
  - d.  $E_d > 1$
10. With increase in price of burgers by 22%, its demand falls by 25%. This indicates that demand for burgers is \_\_\_\_\_
  - a. Elastic
  - b. Inelastic
  - c. Unitary elastic
  - d. Perfectly elastic
11. When MP is zero, what can you say about TP?
  - a. TP is increasing
  - b. TP is maximum
  - c. TP is falling
  - d. None of the above
12. Identify the phase in which TP increases at an increasing rate and MP also increases
  - a. Increasing returns to a factor
  - b. Diminishing returns to a factor
  - c. Negative returns to a factor
  - d. None of these
13. Identify the two cost curves which start from the same point on the y-axis
  - a. TVC and TFC
  - b. TFC and TVC
  - c. TFC and TC
  - d. TFC and AFC
14. "Salary of permanent staff" is which type of cost?
  - a. Variable and implicit cost
  - b. Fixed and implicit cost
  - c. Fixed and explicit cost
  - d. Variable and explicit cost





**[PART (A) : OBJECTIVE]**

Duration : 20 Minutes

Serial no. of the  
main Answer sheet

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15. Average fixed costs (AFC) \_\_\_\_\_
  - a. Remain same at all levels of output
  - b. Increase as output increases
  - c. Decreases as output increases
  - d. Initially increases and then decreases
  
16. All the curves except \_\_\_\_\_ are U-shaped curves
  - a. Average Fixed Cost Curve
  - b. Average Variable Cost Curve
  - c. Average Cost Curve
  - d. Marginal Cost Curve
  
17. If average revenue curve is a horizontal straight line, then marginal revenue curve will be \_\_\_\_\_
  - a. Downward sloping
  - b. Horizontal straight line
  - c. Upward sloping
  - d. Inversely S-shaped
  
18. Under which market form, firm is a price-taker?
  - a. Perfect competition
  - b. Monopoly
  - c. Oligopoly
  - d. Monopolistic competition
  
19. Which of these is a characteristic feature of Monopoly?
  - a. Single seller
  - b. Price-maker
  - c. Barriers on entry and exit of firms
  - d. All of these
  
20. Demand curve under oligopoly is \_\_\_\_\_
  - a. Less elastic
  - b. Perfectly elastic
  - c. Highly elastic
  - d. Indeterminate

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Course : .....

Semester : ..... Roll No : .....

Enrollment No : ..... Course code : .....

Course Title : .....

Session : 2017-18 ..... Date : .....

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**Instructions / Guidelines**

- The paper contains twenty (20) / ten (10) questions.
- Students shall tick (✓) the correct answer.
- No marks shall be given for overwrite / erasing.
- Students have to submit the Objective Part (Part-A) to the invigilator just after completion of the allotted time from the starting of examination.

Full Marks	Marks Obtained
20	

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Scrutinizer's Signature

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Examiner's Signature

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Invigilator's Signature