MBA/30/10

MASTER OF BUSINESS ADMINISTRATION

FIRST SEMESTER

MANAGERIAL ECONOMICS

MBA – 107

[USE OMR FOR OBJECTIVE PART]

SET B

Duration: 3 hrs. **Full Marks: 70**

(Objective)

Time: 30 min. **Marks: 20**

Choose the correct answer from the following: *1×20=20*

1. Which stage of production is characterized by increasing marginal returns?
   a. Stage I
   b. Stage II
   c. Stage III
   d. All Stages

2. What is the relationship between total cost (TC), fixed cost (TFC), and variable cost (TVC)?
   a. TC=TFC−TVC
   b. TC=TFC+TVC
   c. TC=TFC÷TVC
   d. TC=TVC−TFC

3. When total cost increases at a decreasing rate, marginal cost is:
   a. Increasing
   b. Constant
   c. Decreasing
   d. Zero

4. Which of the following costs remains constant in the short run regardless of the level of output?
   a. Variable cost
   b. Marginal cost
   c. Fixed cost
   d. Total cost

5. The average cost (AC) is calculated as:
   a. AC=TC+Q
   b. AC=TC÷Q
   c. AC=TC×Q
   d. AC=TC−Q

6. Marginal cost (MC) is defined as:
   a. The cost of producing one additional unit of output
   b. The average cost of producing all units of output
   c. The fixed cost per unit of output
   d. The cost incurred at zero production

7. Total revenue is calculated as:
   a. Price × Quantity sold
   b. Fixed cost + Variable cost
   c. Price ÷ Quantity sold
   d. Marginal cost × Quantity produced

8. When the price of a good is constant, marginal revenue is equal to:
   a. Total revenue
   b. Average revenue
   c. Fixed cost
   d. Variable cost

9. Which of the following is NOT a characteristic of a perfectly competitive market?
   a. Many buyers and sellers
   b. Homogeneous products
   c. Barriers to entry and exit
   d. Perfect information

10 Which of the following is the primary purpose of advertising?
   a. To reduce production costs
   b. To inform, persuade, or remind consumers about a product or service
   c. To increase the fixed cost of a firm
   d. To create barriers to market entry

11 What does the **Law of Demand** state?
   a. When the price of a good increases, the quantity demanded increases.
   b. When the price of a good decreases, the quantity demanded increases.
   c. When the price of a good increases, the demand curve shifts to the right.
   d. When the price of a good decreases, the demand curve shifts to the left.

12 Which of the following is NOT a determinant of demand?
   a. Price of the good
   b. Income of the consumer
   c. Technology used in production
   d. Price of related goods

13 When two goods are complements, an increase in the price of one good will typically result in:
   a. An increase in the demand for the other good
   b. A decrease in the demand for the other good
   c. No change in the demand for the other good
   d. A shift to the right of the demand curve for the other good

14 If the price of a substitute good increases, what is likely to happen to the demand for the original good?
   a. It decreases
   b. It increases
   c. It remains unchanged
   d. It becomes perfectly elastic

15 What does price elasticity of demand measure?

a. The responsiveness of quantity demanded to a change in price

b. The responsiveness of demand to a change in income

c. The total revenue generated from selling a product

d. The responsiveness of quantity supplied to a change in price

16 Which of the following is true when demand is perfectly inelastic?

a. The demand curve is horizontal

b. The demand curve is vertical

c. Price changes have no effect on quantity demanded

d. Both B and C

17 If a 10% increase in the price of a good leads to a 5% decrease in the quantity demanded, the price elasticity of demand is:

a. 0.5

b. 2

c. 1.5

d. 1

18 What does a production function show?

a. The relationship between inputs and outputs in production

b. The cost of producing a good or service

c. The profits earned by a firm

d. The demand for a firm's product

19 The law of diminishing returns applies when:

a. All inputs are increased proportionally

b. At least one input is held constant while others are increased

c. All inputs are fixed

d. The firm operates under constant returns to scale

20 Which of the following describes returns to scale?

a. Changes in output when all inputs are changed proportionally

b. The relationship between cost and output

c. Changes in total output when one input is varied while others are held constant

d. The proportion of labor and capital used in production

Descriptive

Time: 2 hr. 30 mins. Marks: 50

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

1. Explain 'Law of variable proportion' with schedule and diagram. 10

2. a. Define demand. Explain any 4 factors that affect demand for a commodity. 5+5=10
   b. Explain the causes behind law of demand.

3. a. Market demand for a good at a price of 10 per unit is 100 units. When its price changes, its market demand falls to 50 units. Find out the new price, if the price elasticity of demand is (-) 2. 5+5=10
   b. Explain different factors affecting price elasticity of demand.

4. a. What are the causes of increasing returns to a factor? Explain. 5+5=10

   b. Explain the reasons of increasing returns to scale.

5. a. Explain the relationship between AC, AVC, AFC and MC with diagram. 5+5=10
   b. Compute TFC, TVC, AVC, AFC, AC and MC from the following

Output(units)	0	1	2	3	4	5	6
TC( )	40	80	110	126	128	135	180

6. a. Explain with schedule and diagram the relationship between TR, AR and MR when price is constant. 5+5=10
   b. Explain 'Break-even point and Shut-down point' with diagram.

7. a. Elaborate the characteristics of perfectly competitive market. 5+5=10

   b. What are the causes of emergence of monopoly market? Explain.

8. a. Explain the determination of equilibrium price and output under perfect competition. 5+5=10

   b. What are the importances of advertisement in the field of management? Explain.