CHRIST UNIVERSITY, BANGALORE-560029

MBA I Trimester Examination September 2008

Code: MBA135 | **Max. Marks: 100**

Sub:MANAGERIAL ECONOMICS - I | **Duration: MBA135A**

SECTION - A

Explain The Following Terms.Answer Any TEN Questions. **10 x 2 = 20**

1. Define Traditional economics
2. Define : Budget line
3. Define: Revealed preference theory
4. Distinguish producer's goods – consumer goods
5. Distinguish short run demand – long run demand
6. Economies of scale
7. Elasticity of supply
8. Explicit and Implicit Cost
9. Fixed and Variable Cost
10. Transfer pricing
11. Predatory pricing
12. P/V ratio

SECTION - B

Answer Any SIX Questions **6 x 5 = 30**

13. What is opportunity cost? Describe the significance of opportunity cost in allocation of resources by firm.
14. What are the assumptions and properties of budget line
15. Why demand analysis essential for successful product planning and capital expansion
16. Explain the concept of return to scale and also the types of RTS
17. The total cost of production of firm is given by the following function: $C = (5/13)\ x + 200$ If the quantity sold is Rs 150 units, at what price should the firm sell so as to break even?
18. Derive the shape of average cost curve. Also derive the relationship between AC and AVC curve.
19. State the conditions when price discrimination is possible.
20. The fixed cost amount to Rs 150000and the % of variable costs to sales is given to be 66.67%. If 100% capacity sales at normal are Rs. 900000 find out the BEP and the % sales

when it occurs. Determine the profit at 80% capacity sales.

SECTION - C

Answer Any THREE Questions **3 x 10**

21. After Iraq invaded Kuwait, gasoline prices rose dramatically up o 50%. There were m
effects of the increased price of gasoline. Explain the following effects in terms o
income effect or the substitution effect or both effects
   - People drove less and purchased less gas
   - People had more tune-ups, downs on their cars
   - Bike sales went up
   - The sale of lottery tickets sell
   - People took vacations closer to home.

22. What are the problems faced in determining the demand for a durable good? Illustrate wi
examples demand for household refrigerator or television set

23. Explain the three stages of production associated with the law of variable proportion

24. Define long run. Describe the procedure of constructing LRAC.

25. If it is stated that "A firm is under perfect competition is a price taker and only enjoys the normal profits in a long run." Explain with illustration why you would agree or disagree the statement.

SECTION - D

Case Study (Compulsory) **1 x 20**

26. If the demand and the cost function of a market is given as $P = 20 - q$ and $TC = q^2 + 8q$
then find

   - What output will maximize the total profit and what are t corresponding values of price, profit and sales.
   - What output will maximize the sales and what are the correspondi values of price, profit and sales.
   - What output will maximize the sales, subject to the constraint t profit can't be less than 8 and what are the corresponding values price, profit and sales.