

**K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,**  
**Vidyavihar, Mumbai- 400077**

**Program: PGDM IB (Batch2018-20), Trimester-I**  
**Subject: Managerial Economics**  
**(End Term Examination)**

**Maximum Marks: 50 Marks**

**Duration: 3 hours**

**Date: 24/09/2018**

**Instructions**

**Attempt any five of the following questions.**

**Q 1.** (a) Demand for and supply of goods and services are always in equilibrium. Explain (5)

(b) If the demand is fixed but the supply of the product increases then what happens to the equilibrium price and quantity? (5)

**Q 2.** (a) What is price elasticity of demand? Explain the determinants of price elasticity of demand (5)

(b) Suppose a firm sells 10,000 units when the price is Rs17, but sells 20,000 units when the price falls to Rs13. (5)

- a. Calculate the percentage change in the quantity sold over this price range using the midpoint formula.
- b. Calculate the percentage change in the price using the midpoint formula.
- c. Find the price elasticity of demand over this range of prices. State whether demand is elastic or inelastic over this range.

**Q 3.** State and explain law of variable proportions (10)

**Q 4.** (a) Describe the various costs incurred by the business in the short –run . (5)

(b) Explain why the short-run average cost curve is U-shaped

**Q 5.** A firm under Perfect competition can earn normal profits, supernormal profits and losses in the long-run. Explain (10)

**Q 6.** Write short notes in any Two of the following  $2 \times 5 = 10$  marks

- (a) Properties of isoquants
- (b) Change in quantity demanded and change in demand
- (c) Kinked demand curve
- (d) Cost based pricing

-----End of Paper-----