

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
Vidyavihar, Mumbai- 400077
Program: PGDM-Exec MBA (Batch2018-19), Trimester-I
Subject: Managerial Economics
(End Term Examination)

Maximum Marks: 50
hours

Nov 26th, 2018

Duration: 3

Answer any Five of the following.

All questions carry equal marks.

1. What are the conditions for consumer equilibrium under ordinal utility approach to consumer analysis? Explain and illustrate graphically.

2a. What is meant by Marginal Rate of Technical Substitution and why should it be equal to the price ratio of factors for the producer to be in equilibrium?

b) Write a short note on expansion path.

3a) A biscuit producing company has the following variable cost function

$TVC = 200Q - 9Q^2 + 0.25Q^3$ If the company's Fixed cost are equal to 150 lakhs find out:

a) Total Costs b) Marginal Costs c) Average variable cost d) Average cost e) at what output levels AVC and MC will be minimum

b) Examine diagrammatically the significance of the optimum size of the firm? What are the consequences faced by a firm when it produces an output beyond this efficient scale?

4.a) Suppose that a competitive firm is in long run equilibrium. What will happen to price in the long run if there is a rise in demand for the product of the industry?

b). What are the conditions in which a firm decides to shut down? If a firm's TVC is given by the following: $TVC = 75Q - 10Q^2 + Q^3$. Will the firm produce the product if price of the product is INR 40.

5. Show the difference between the long run equilibrium of a competitive firm and the long run equilibrium of a monopoly firm with regard to a) price b) profits c) use of capacity

6.a) What is meant by "group equilibrium" under monopolistic competition and what are the wastages under this market structure?

b) What are the assumptions behind the existence of kinked demand curve? Why do rival firms react to a price cut but not to price rise in oligopoly markets?
