K.J. Somaiya Institute of Management Studies & Research
Course: MMM – IInd Semester End Term Exam
Sub : Managerial Economics

Date of Exam: 14/04/2018   Time : 3 Hours   Marks : 50

Note : 1. Attempt any 5 questions. Each question carries 10 marks.

Q. 1 Describe the characteristic features of Monopolistic competition. How is it different from perfect competion?

Q.2 a) Given the TR function as TR = 50Q and TC function as TC = 10000 + 30Q

     i.   Determine the breakeven rate of output

    ii.   Determine the output rate necessary to earn profit of Rs. 20,000/-

b) Healthy Harry's Juice Bar has the following costs schedules:

Quantity	Variable cost ($)	Total Cost (in $)
0	0	30
1	10	40
2	25	55
3	45	75
4	70	100
5	100	130
6	135	165

     i.   Calculate average variable cost, average total cost and marginal cost for each quantity.

    ii.   Graph all the three curves and explain.

Q. 3 Monopolist is price maker and hence can charge any price. Discuss

Q.4 a) Explain the concept of returns to scale and distinguish among increasing returns to scale, constant returns to scale and decreasing returns to scale.

b) Find the cross elasticity between hot dogs (X) and hamburgers (Y) and between hot dogs (X) and mustard (Z) for the data given below.

Commodity	Price (Before)	Quantity (Before)	Price (After)	Quantity (After)
Hot dogs (X)	$1.00	15	$1.00	10
Hamburgers (Y)	$3.00	30	$2.00	40
Mustard jar (Z)	$1.50	10	$2.00	12

Q.5 What if cartels were not illegal? What would be its effect on consumer as well as producer?

Q.6 What is Iso Quant curve? Explain the properties of Iso Quant curve.

Q.7 Define economies of scale and explain why they might arise? Define diseconomies of scale and explain the reasons for the same. (Use long run average cost curve to explain your answer)

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