K.J. Somaiya Institute of Management Studies & Research
Course: PGDM –RM Trimester I End Term Exam
Sub : Managerial Economics

Date of Exam: 25/09/2017   Time : 3 Hours   Marks : 50

Note :   1. Each question carries 10 marks

2. Attempt any 5 questions.

Q. 1 Explain why firm cannot have isoquants intersecting each other. How is returns to scale captured in a isoquant map?

Q.2 XYZ Enterprises manufactures a desk designed to serve as a computer workstation. The manager estimated the following demand function:

$$Q_d = 2.8 + 2.5Y - 8.5P_d + 3.5P_o + 0.19A$$

Where, Q_d = Annual sales of desk (in thousands rupees)

Y = Average household annual income (in thousands rupees)

P_d = Desk Price (in thousands rupees)

P_o = Prices of other related goods (in thousands rupees)

A = Annual Advertising budget (in thousands rupees)

The current values for the independent variables are

$Y = 16.5$, $P_d = 4$, $P_o = 2$, and $A = 200$

a) If company contemplates a price increase, would its total revenue rise or fall? Why?

b) Find the equation for the firm's demand curve where demand is a function of only its price.

c) Economic forecasters think that there is a possibility of a major recession next year which will reduce the average annual hosehold income to Rs. 15,000 without affecting any other variables. Find the company's sales for the next year.

Q.3 What makes an oligopolistic market different from others and what is the significance of these characteristic features?

Q.4 A manufacturer of unique drug has the following total cost and demand funtions:

$$P = 480 - 8Q$$

$$TC = 400 + 8Q^2$$

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Calculate the profit maximising output, price and profit.

Q.5 What are the characteristics of a perfectly competitive market? Why the firms are price taker in perfectly competitive market? Explain with the help of suitable example.

Q.6 Why monopolist can determine either price or output and not both? Discuss price and output determination conditions for a monopolist in the short run.

Q.7 Define indifference curve. Explain why indifference curve slops downward and discuss the properties of indifference curve.