



Semester: Dec 23 – Apr 24			
Maximum Marks: 25	Examination: ETE Exam	Date: 22-04-24	Duration: 1.5 hrs
Programme code: 19		Class - FY	Semester/Trimester: I
Programme: G&B PGDM (Exec) - Ops & SCM			
College: K. J. Somaiya Institute of Management		Name of the department/Section/Center:	
Course Code:		Name of the Course: Managerial Economics	
Instructions:			

Question No.		Max. Marks																																		
Q1	<p>Solve any one of the following:</p> <p>An employee working with a reputed company is earning Rs. 8,00,000 per year. She decides to start her own venture in online selling of readymade garments. The income statement after first year is as below:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Revenues</td> </tr> <tr> <td>Revenues from sales</td> <td style="text-align: right;">Rs. 18,70,000</td> </tr> <tr> <td colspan="2">Operating costs and expenses</td> </tr> <tr> <td>Cost of product and services sold</td> <td style="text-align: right;">Rs. 6,50,000</td> </tr> <tr> <td>Website development cost</td> <td style="text-align: right;">Rs. 60,000</td> </tr> <tr> <td>Administrative expenses</td> <td style="text-align: right;">Rs. 45,000</td> </tr> <tr> <td>Salaries of two persons</td> <td style="text-align: right;">Rs. 6,00,000</td> </tr> <tr> <td>Interest expense on bank loan</td> <td style="text-align: right;">Rs. 55,000</td> </tr> <tr> <td>Legal expenses to start the business</td> <td style="text-align: right;">Rs. 35,000</td> </tr> </table> <p>To get started the business, she has used Rs. 3,00,000 of her personal savings. She could have earned a 15 percent return by investing in stocks of other businesses.</p> <p>a. What are the total explicit, total Implicit and total Economic costs in 2015-16?</p> <p>b. What is the Accounting profit?</p> <p>c. What is Economic profit?</p> <p>d. Evaluate the owner's decision to leave his job to start the business.</p> <p>2. Fill in the blanks in the following table:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="width: 12.5%;">Output (no)</td> <td style="width: 12.5%;">TFC (Rs)</td> <td style="width: 12.5%;">TVC (Rs)</td> <td style="width: 12.5%;">TC</td> <td style="width: 12.5%;">MC</td> <td style="width: 12.5%;">AFC</td> <td style="width: 12.5%;">AVC</td> <td style="width: 12.5%;">ATC</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">(Rs)</td> <td style="text-align: center;">(Rs)</td> <td style="text-align: center;">(Rs)</td> <td style="text-align: center;">(Rs)</td> <td style="text-align: center;">(Rs)</td> </tr> </table>	Revenues		Revenues from sales	Rs. 18,70,000	Operating costs and expenses		Cost of product and services sold	Rs. 6,50,000	Website development cost	Rs. 60,000	Administrative expenses	Rs. 45,000	Salaries of two persons	Rs. 6,00,000	Interest expense on bank loan	Rs. 55,000	Legal expenses to start the business	Rs. 35,000	Output (no)	TFC (Rs)	TVC (Rs)	TC	MC	AFC	AVC	ATC				(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	5 Marks
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			(Rs)	(Rs)	(Rs)	(Rs)	(Rs)																													

	0			120					
	1							265	
	2		264						
	3							161	
	4				85				
	5		525						
Q2	<p>Answer any two of the following:</p> <ol style="list-style-type: none"> 1. What will happen to the demand for Godrej Acs if <ol style="list-style-type: none"> a. The price of LG Acs (close substitute) goes up? b. If the income of the consumers goes down? 2. What are the determinants of demand for: <ol style="list-style-type: none"> a. Godrej Interio – Study and Home office b. Godrej housing projects 3. “Firms operating in a perfectly competitive market do not earn economic profit in the long run” Do you agree with the statement. Explain 								10 Marks
Q3	<p>Answer any two of the following:</p> <ol style="list-style-type: none"> 1. Explain a few important features of the Monopoly market. 2. Explain the difference between fixed and variable costs. Which cost is more relevant in the short run? 3. Explain the concept of Economies and Diseconomies of scale with the help of an example. 								10 Marks