K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,

Vidyavihar, Mumbai- 400077

Program: ***PGDM-Exec MBA (Batch2016-17), Trimester-I***

Subject: Managerial Economics

(End Term Examination)

Maximum Marks: 50 **Dec 6th 2016**

. Duration: 3 hours

Answer any Five of the following.

All questions carry equal marks.

1.

1.The demand and supply function of a business are given below.

Demand Function = 2000+ 400 P

Supply function = 1400 + 500 P

a) What is the market equilibrium price and quantity?

b) If supply function shifts to 1800 + 450 P, then what is the new equilibrium quantity.

c) Using indifference curve approach explain consumer's equilibrium condition.

2. What is meant by efficient or optimum factor combination in production? Explain with the help of isoquants and iso-cost lines how a producer achieves this combination of factors?

3. Show for a perfectly competitive firm to be in long run-equilibrium price should not only be equal to marginal cost but must also be equal to long run average cost of production.

4. How would a benevolent social planner, who cares about total surplus decide his

price and output when compared to a monopolist?

5. What is Price Discrimination? How is Price and Output equilibrium attained by a discriminating monopolist in markets with varying elasticities.

6. Read the case given below and answer the following questions.

An interesting and well –documented example of price rigidity involved a leather tannery in Denmark. While interviewing the managers of Danish firms about their pricing policies, an economist discovered a firm that charged a higher price for dyed shoe leather than it did for black leather. The price differential had existed since 1890 when dyed leather was more expensive to make. However, by the time of the interview, the dyed shoe leather had become less costly to produce. When queried as to why the pricing policy had not been changed, the firm's manager responded:

Perhaps we ought to raise the price of black leather somewhat and lower the price of dyed leather to a corresponding degree, but we dare not do so. The fact is that we shall then run the risk of being unable to sell black leather shoes, whereas our competitors will also reduce their prices for dyed shoes.

1. Identify the market structure where this trend can be observed and explain the reason behind this rigidity.

2. Illustrate diagrammatically the price output determination under this condition.

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