



MBA (PT) DEGREE I SEMESTER EXAMINATION NOVEMBER 2011

SMP 2103 MANAGERIAL ECONOMICS

Time: 3 Hours

Maximum Marks: 50

(5 × 10 = 50)

- I. A. "All decision problems have a number of common characteristics." Elucidate this statement in the light of what you have learned in Managerial Economics.
OR
- B. Explain with examples the five fundamental concepts that aid decision making in business.
- II. A. What do you mean by elasticity of demand? How is it measured? In which area will this help firms? What is its superiority over demand analysis?
OR
- B. Explain briefly the different methods of forecasting demand for a durable consumer good.
- III. A. What is an isoquant? Explain with the help of a diagram how a firm optimizes its production with the help of isoquants.
OR
- B. Critically analyse the uses of break-even charts.
- IV. A. What do you mean by 'kinked' demand curve? How the kink occurs? Explain how is price determined under homogeneous oligopoly (use diagram).
OR
- B. What do you mean by discriminating monopoly? What are the conditions required for price discrimination? Show with the help of diagrams how a monopolist attains equilibrium under conditions of increasing, decreasing and constant costs?
- V. A. Define the different concepts connected with National Income. Also explain the problems connected with measurement of National Income.
OR
- B. The management of 'XYZ LTD' is considering the following investment projects for implementation. The investment required for each project and the revenue expected from each project are as follows.

Revenue (in Rupees)					
Project	Year 1	Year 2	Year 3	Year 4	Year 5
A	2 lakhs	3 lakhs	5 lakhs	2 lakhs	2 lakhs
B	3 lakhs	3 lakhs	2 lakhs	2 lakhs	2 lakhs
C	4 lakhs	5 lakhs	3 lakhs	1 lakh	0
D	3 lakhs	4 lakhs	6 lakhs	1 lakh	1 lakh
E	3 lakhs	5 lakhs	3 lakhs	3 lakhs	1 lakh

The total investment required for each project is ₹10 lakhs. Suppose that the cost of capital is 15 percent and there is no salvage value. Rank the projects on the basis of their present value and payback period. If there is any difference in ranking, explain the reasons for the difference.

Present value of rupee one received as a single payment in the future discounted at the rate of 15 percent is given below.

First year	0.870
Second year	0.756
Third year	0.658
Fourth year	0.572
Fifth year	0.476