

Avinashilingam Institute for Home Science and Higher Education for Women
Coimbatore-641 043
Master's Degree Examination –November 2017
I Semester

Class: I PG
Major: Business Administration/
M.B.A-I.T-Organization Administration

Max. Marks: 60
Time: 3 Hours

17MBAC03/17MBMC03 Managerial Economics

Part A

Choose the correct Answer

10x $\frac{1}{2}$ =5

1. The father of modern Economics is
 - a. Adam Smith;
 - b. Marshall;
 - c. Karl Marx
 - d. M. Keynes
2. Main objective of a business firm is
 - a. Wealth;
 - b. Profit;
 - c. Cost reduction;
 - d. all of the above
3. Unit elasticity means
 - a. EP is less than 1;
 - b. EP is more than 1;
 - c. EP = 1
 - d. EP is equal to Sales
4. Iso – quant means
 - a. Normal production;
 - b. high production;
 - c. equal quantity;
 - d. none of these.
5. At BEP the
 - a. Cost is = Revenue;
 - b. Cost is more than revenue;
 - c. Cost is less than Revenue;
 - d. None of thee
6. Market is a place where
 - a. Buyer and seller meet together to satisfy their needs;
 - b. Manufacturer and seller meet together to satisfy their needs;
 - c. Buyer and consumer meet together to satisfy their needs;
 - d. None of the above.
7. Population in square km is known as
 - a. Density of population
 - b. Deep population.
 - c. over population
 - d. none of these.
8. When depreciation is deducted from GNP, the net value is
 - a. Net national product
 - b. Net domestic product
 - c. Gross national product
 - d. Disposable income

9. The opposite situation of inflation is known as
 a. Deflation
 b. Stagflation
 c. Hyperinflation
 d. none of the above
10. Which statement is true?
 a. National Income = National expenditure - indirect taxes
 b) NI = PI
 c. NI = NNP - indirect taxes
 d. a. NI = GNP - NNP

PART B - 5 X 4 = 20

Answer the following

Answer should not exceed 200 words or one page

- 11.a. State the utility of the study of managerial economics.
 (OR)
- 11.b. Point out the differences between managerial economics and economics.
- 12.a. Explain the law of demand with illustration.
 (OR)
- 12.b. Explain different cost concepts.
- 13.a. Explain different types of market with illustration.
 (OR)
- 13.b. Explain managerial uses of Break Even Analysis
- 14.a. Explain consumption function with reference to 21st century.
 (OR)
- 14.b. Explain different methods of measurement of National Income.
- 15.a. Define inflation. What are the causes of inflation?
 (OR)
- 15.b. What are the content^s of BOP?
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PART C - 5 X 7 = 35

Answer the following (Q 20 is compulsory)

Answer should not exceed 600 words or one page

- 16.a. Explain different objectives of a business firm in detail.
 (OR)
- 16.b. Explain fundamental economic problems. And give the solution to solve the fundamental economic problems.

17.a. What is meant by demand forecasting? Explain different techniques of Demand forecasting.

(OR)

17.b. Explain traditional cost theory in detail.

18.a. Explain different pricing strategies and tactics.

(OR)

18.b. What are the uses of National Income calculation?

19.a. Explain demand and supply of money.

(OR)

19.b. Explain different phases of business cycle.

20. Case:

Assume there is a well-defined geographic area of a city. The area is composed exclusively of apartments and is populated by low-income residents. The people who live in the area tend to stay in that area because (1) they cannot afford to live in other areas of the city, (2) they prefer to live with people of their own ethnic group, or (3) there is discrimination against them in other areas of the city. Rents paid are a very high percent of peoples' incomes.

Questions:

1) Would the demand for apartments in this area be relatively inelastic or relatively elastic? State why.

2) Would the supply of apartments in this area be relatively inelastic or relatively elastic? State why.

3) Draw the demand and supply curves as you have described them, showing the initial equilibrium price and quantity. Label carefully.

4) Now assume the government creates a rent supplement program. Under this program, the renter is required to pay 30% of income in rent. Any additional rent is paid by the government --- up to a limit. For example, a low-income person with an income of \$1,000 a month would be required to pay \$300 in rent (30%). If the rent is \$500, the other \$200 would be paid by the government. Analyze the results of this program. Show the changes on the graph and explain what will result. Who gains and who loses from this program?

5) Instead, now assume that the government decides to provide a building subsidy to people who build apartments in this low-income area. A certain percent of their costs will be paid by the government.