

**SECTION—C**

4. (a) What is Monopolistic Competition ? Explain the important features of Monopolistic Competition. 7
- (b) Explain price determination under perfect competition with suitable illustration. 7

**OR**

- (c) What is prisoners dilemma ? How does it help to explain the likelihood of firms opting for sub-optimal solution in oligopoly ? 7
- (d) Describe price discrimination under Monopoly. 7

**SECTION—D**

5. Given the demand and TC function of a company. Determine the optimal output, price, total profit and total revenue :

$$P = 20 - Q$$

$$TC = Q^2 + 10Q + 2$$

- (i) Under profit maximisation 7
- (ii) Under sales maximisation. 7

**AQ-1328A**

**M.B.A. (Semester-I) (New) Examination**  
**MANAGERIAL ECONOMICS**

Time : Three Hours]

[Maximum Marks : 70

**Note :-** (1) Attempt ALL questions.

(2) Figures to the right indicate marks.

(3) Use of non-programmable calculator is permitted.

**SECTION—A**

1. (a) Why is it important to state a managerial objective ? Could the assumption that the managers objective is profit maximisation be useful even if their real objective is maximising market share or, their salaries ? 14

**OR**

- (b) Discuss the nature and scope of managerial economics. What are the other related disciplines ? 14

**SECTION—B**

2. (a) What is the law of diminishing marginal utility ? Explain and illustrate the law with the help of MU-Schedule and MU-Curve. 7

- (b) There are two commodities x and y on which a consumer spends his entire income in a day. He has utility function  $U = \sqrt{xy}$ . Find out the optimal quantities of x and y if prices of x and y are ₹5/unit and ₹2/unit respectively and his daily income is ₹500. 7

OR

- (c) Define price elasticity of demand. What are the factors that determine it? Explain. 7
- (d) Abhay industries is a major producer of steel. Management estimates that the demand for the company's steel is given by the equation :

$$Q_s = 5000 - 100 P_s + 0.1 I + 100 P_a$$

where,  $Q_s$  – Steel demand in thousands of tons per year

$P_s$  – Price of steel in ₹/kg

$I$  – Income per capita

$P_a$  – price of aluminium in ₹/kg

Initially,  $P_s = ₹40/\text{kg}$ ;  $P_a = ₹30/\text{kg}$

$I = ₹20000$  per capita.

- (i) What is the point income elasticity? 3
- (ii) What is the point cross elasticity between steel and aluminium? 4

3. (a) What is meant by production? Define production function and describe the underlying assumptions. 7

- (b) A firm is producing output using labour and capital in such quantities that marginal product of labour is 15, and marginal product of capital is 8. The cost of labour ( $C_L$ ) is ₹3/unit and cost of capital ( $C_K$ ) is ₹2/unit. Is the firm using efficient factor combination for production? If not, what it should do to achieve economic efficiency? 7

OR

- (c) Define and explain the three stages of production. 7

- (d) Given the production function :

$$Q = 100 K^{0.5} L^{0.5}$$

where  $Q$  = Quantity produced/output

$K$  = Capital employed

$L$  = Labour employed

Determine the optimal input combination for producing 1444 units of output if cost of labour ( $C_L$ ) is ₹30/unit and cost of capital ( $C_K$ ) is ₹40/unit. What is the minimum cost of production? 7