Total No. of Pages ___ Roll No..........

I SEMESTER MBA (BA)

END SEMESTER EXAMINATION ***Nov/Dec-2019***

PAPER CODE MB 105

TITLE OF PAPER Managerial Economics

Time: 3:00 Hours ***Max. Marks : 60***

Note:	Answer all question. Assume suitable missing data, if any.

Section-A

Q1 Explain any ten. **(10*3 = 30)**

a) Distinguish monopolistic competition. How is it different and similar to perfect competition and monopoly?

b) Discuss producer and consumer surplus. How can producer corner the consumer surplus through price discrimination?

c) Define monopoly power. What are the sources of monopoly power?

d) A firm optimize marginal product per unit cost and equates? Comment.

e) Two indifference curves don't intersect? Comment.

f) Define deadweight loss? In what situations does it arise?

g) Differentiate depreciation and devaluation. Discuss the exchange rate scenario in Indian economy.

h) Explain GNP and GDP at current prices and constant prices. What is the difference and why does it matter?

i) What are different modes of measuring inflation. What is the difference and why does it matter?

j) What are the similarities between producer and consumer choice in terms of equilibrium?

k) Distinguish Bandwagon and snob effect. Also discuss inferio Giffin goods and Veblen goods.

l) What are basic assumptions of consumer behavior? Discuss changes in budget line due to changes in prices of products.

Section-B

Attempt any Six

Q1 Discuss Cournot model in the light of following market requirements:

Inverse demand function: $P = 100 - Q$ where $Q = Q_1 + Q_2$. Marginal Cost of both firms is zero. Discuss the equilibrium situation in non-collusive and collusive situation. What will happen in case of Stackelberg model. **(5)**

Q2 What is difference between fiscal and monetary policy? What are their main instruments? Discuss the scenario under which these policies and instruments are used. Elaborate the effect of these policies on a firm in different economic situations. **(5)**

Q3 Discuss the economic crisis faced by Indian economy by 1991. What were the steps taken by Indian authorities to tackle the crisis and discuss the outcomes of such steps? Compare the 1991 scenario with economic conditions in 2019. **(5)**

Q4 Discuss the relationship between demand curve, marginal revenue and average revenue of a monopoly. Discuss and derive its inter-relationship with cost for profit-maximising quantity. Derive how mark-up is related to elasticity of a product. **(5)**

Q5 If a cocoa shipping firm sells Q tons of cocoa to England, the price received is given by $P = \alpha_1 - \frac{Q}{3}$. On the other hand, if it buys Q tons from its only source in Ghana, the price it has to pay is given by $P = \alpha_2 + \frac{Q}{6}$. In addition, it also costs γ per ton to ship cocoa from its supplier in Ghana. The numbers α_1, α_2 *and* γ are all positive.

a. What is the profit-maximizing quantity and maximum profit? What happens if $\alpha_1 - \alpha_2 - \gamma > 0$ and vice versa?

b. Suppose the government of Ghana imposed an export tax on cocoa at **t** per ton. What will be new profit-maximizing quantity and maximum profit.

c. Calculate government's tax revenue as a function of **t**, and what is the value of t that maximizes government's tax revenue? **(5)**

Q6 Define average cost and marginal cost. Derive the relationship between marginal cost (MC) and average cost (AC), mathematically and draw the graph showing AC and MC. Discuss relationship between short run and long run cost and degree of economies of scope. **(5)**

Q7 Cost function of a monopolist is given by $C = 100 - 5Q + Q^2$ and demand is given by $P = 55 - 2Q$.

a. What price should the monopolist set to maximise profit? What output does the firm produce? How much profit and consumer surplus?

b. What is the deadweight loss from monopoly power in part (a)?

c. What would be output if monopolist if the firm acted like a perfect competitor and MC = P? What profit and consumer surplus would then be generated?

d. Suppose the government imposed a maximum price at \$ 27. How does it affect price, quantity, consumer surplus, and monopolist's profit? What is the resulting deadweight loss? **(5)**