

EMBA-104 MANAGERIAL ECONOMICS

Time: 3:00 Hours

Max. Marks: 60

Note: Q6 is compulsory. Attempt any FOUR questions from Q1-5. All questions carry equal Marks. Assume suitable missing data, if any.

Q1. (a) Dell faced the dilemma regarding its pricing strategy for computers. Should it increase its prices to boost cash flow or adopt a price cut strategy? How and what should the company decide?

[6 marks]

(b) The research department of a company estimated price elasticity of demand of computers = - 1.7. If company cuts the price by 5% will company sales increase enough to increase overall revenues? Interpret your answer.

[6 marks]

Q2. (a) If price of good Y is Re. 1 per unit and that of good X is Rs. 2 per unit and money income is Rs. 20.

- (i) Draw budget line
- (ii) Calculate the slope of budget line
- (iii) Write budget equation
- (iv) Show and explain consumer's equilibrium. On this budget line, what is the slope of indifference curve at the point of equilibrium? [1+1+1+3=6 marks]

(b) Explain the relationship between total cost curves and average cost curves using diagrams. [6 marks]

Q3. (a) Explain the law of diminishing marginal returns with the help of a suitable example and diagram. Why a producer chooses second stage of production? [6 marks]

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- (b) Give an example of Homogenous Production function. Give the equation and relate it to returns to scale.
- Q4. (a) How does presence of monopoly lead to deadweight loss as compared to competitive conditions? Explain. [6 marks]
- (b) A sales tax of Re. 1 per unit of output is levied on a firm whose output sells for Rs. 5 in a competitive industry. [8 marks]
- (i) How does this tax affect the cost curves of the firm?
- (ii) What will happen to price, output, and profit? [4 marks]
- Q5. (a) The vegetable street market is an example of which market structure. Explain the basic features of such a market structure. [8 marks]
- (b) What do you mean by third degree price discrimination? When can a monopolist practice price discrimination? [4 marks]
- Q6. Attempt all of the following:
- (a) Do improvements in technology lead to a movement along, or a shift in the supply curve?
- (b) Differentiate between producer surplus and consumer surplus using IC analysis.
- (d) What are the conditions of profit maximization of a firm using marginal principle?
- (e) Differentiate between Learning effect and economies of scale using cost curve. [3*4=12 marks]

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