

7938/C21

OCTOBER 2006

Paper III — MANAGERIAL ECONOMICS

Time : Three hours

Maximum : 100 marks

Answer any FIVE questions.

All questions carry equal marks.

1. What is managerial economics? Explain the fundamental concepts of managerial economics.
2. What is price elasticity of demand? Discuss its role in business decisions.
3. Define oligopoly? Explain how price and output decisions are taken under the conditions of oligopoly.
4. What is Cobb-Douglas Production Function? Explain its managerial uses.
5. Explain the important pricing strategies.
6. Discuss critically the different methods of forecasting demand for established products.
7. Explain the cost – output relationship in the short – run.

8. What is meant by cost of capital? How is it computed?
9. What is capital budgeting? Discuss the various capital budgeting appraisal methods.
10. Write short notes on :
 - (a) Break – even Analysis.
 - (b) Penetration pricing.
 - (c) Kinked Demand Curve.
 - (d) Concentration of Economic Power.