MBA 02

M.B.A. DEGREE EXAMINATION, JUNE 2007.

First Semester

Common for HRM / Marketing / Finance / International Business

Paper II — MANAGERIAL ECONOMICS

Time : Three hours　　　　Maximum : 100 marks

SECTION A — (5 × 6 = 30 marks)

Answer any FIVE out of the following.

1. What are the characteristics of Managerial Economics?

2. How do you measure the price elasticity of demand?

3. Explain the trend projection method.

4. Write short note on Capital Budgeting.

5. How can we incorporate the elements of uncertainty in investment decision?

6. Give short note on National Income in India.

7. How does a Government company differ from Public Corporation?

8. Distinguish between Money Market and Capital Market.

SECTION B — (5 × 10 = 50 marks)

Answer any FIVE out of the following.

9. Discuss the important of Managerial Economics with special refers to decision – making.

10. What are the possible approaches to forecasting demand for new product?

11. Define Cost of Capital. Explain briefly nature and significance of Cost of Capital.

12. Write a critical essay on the present industrial and licensing policy of the Indian Government.

13. National Income is in equilibrium when saving is equal to investment. Discuss.

14. What is meant by production function? Explain the least-cost input combination.

15. Discuss the various methods for estimating a demand function.

16. Examine the different types of decision which are made by business executives.

SECTION C — (1 × 20 = 20 marks)

17. Case Study – Compulsory :

ABC Company is currently 1000 suits at a price of Rs. 500 per suit. Total cost is Rs. 4,50,000 represents fixed costs. Average variable cost is constant. The company aims at achieving maximum profit. The marketing manager of the company believes that if the company could reduce the price to Rs. 400 per suit, its sales would increase by 20 per cent. In contrast, the consultant of the company argues that a 20 per cent reduction in the current price would bring 60 per cent increase in sales.

(a) If you were the proprietor of ABC and were totally convinced by the demand estimates of your marketing manager, would you reduce the price of your product to Rs. 400? If so, Why?

(b) If, instead of agreeing with the demand estimate of the marketing manager, you agree with that of the consultant, other things remaining the same as in (a) above, would entertain the price reduction? If so, Why?

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