BRAINWARE UNIVERSITY

Term End Examination 2022
Programme – MBA-2021/MBA-2022
Course Name – Managerial (Micro) Economics/Managerial Economics
Course Code - MBA101
(Semester I)

Full Marks : 60   **Time : 2:30 Hours**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A
(Multiple Choice Type Question)   1 x 15=15

1.   *Choose the correct alternative from the following :*

(i)   Speculate in which account of balance of payment will a purchase of an Indian firm by a foreign entity will be recorded.

   a) Current Account   b) Capital Account
   c) Foreign Exchange Reserve   d) None of the above

(ii)   Identify, which of the following would not be treated as capital in Economics?

   a) Road   b) Transformer
   c) River   d) Dam

(iii)   Identify the factor/(s) that defines demand.

   a) Desire for a product   b) Willingness to pay for it
   c) Ability to pay for it   d) All of the above

(iv)   If the Demand Function is given as Qd = 500 -5P. Calculate the price at which quantity demanded is zero.

   a) 100   b) 50
   c) 75   d) None of the above

(v)   If short run production function is given as $Q = 5L^2 + 10L$. Calculate the average product of labour for L=2.

   a) 20   b) 40
   c) 10   d) 5

(vi)   Select which of the following is true for Average Product (AP) and Marginal Product (MP)

   a) MP is always > AP   b) AP is always > MP
   c) MP intersects AP when AP is maximum   d) MP intersects AP when MP is maximum

(vii)   If the Total Cost function is given as: $TC = 200 + 2Q + 3Q^2$. Calculate the Total Cost when Q = 10.

   a) 520   b) 200
   c) 320   d) 62

(viii)   When price increases from 100 to 120, quantity demanded falls from 100 to 90. Calculate the price elasticity of demand.

   a) .5   b) 1
   c) -.5   d) -1

(ix)   When price of coffee changes from 10 to 11, quantity purchased of tea changes from 20 to 21 units. Calculate the cross price elasticity.

   a) .5   b) -.5
   c) 2   d) -2

(x)   Select the option that best describes the structure of a large fish market comprising many individual sellers.

   a) Monopoly   b) Monopolistic competition
   c) Oligopoly   d) Perfect competition

(xi)   Select the option that best describes the degree of price discrimination used by an electricity service provider.

   a) First degree   b) Second degree
   c) Third degree   d) None of the above

(xii)   Identify which of the following factors will shift the market demand but probably have no effect on individual demand.

   a) A positive word of mouth   b) Higher direct tax rate
   c) Better credit facilities   d) An increase in population

(xiii)   Identify what this kind of phenomenon is called: Higher the price of a luxury good, higher is the quantity demanded.

   a) Veblen Effect   b) Giffen Paradox
   c) Causal Effect   d) None of the above

(xiv)   Indicate the value of the price elasticity of demand when the demand curve is a horizontal line parallel to the x=axis.

a)   b)
   $|E_P| > 1$ $|E_P| < 1$

c)   d)
   $|E_P| = 0$ $|E_P| = \infty$

(xv)   Speculate the most likely type of inflation caused by lack of proper infrastructure.

   a) Demand pull   b) Cost push
   c) Structural   d) None of the above

2.   If the short-run production function is given as $Q = 10L + 2L^2 - L^3$. Compute the average   (3)
        product of labour for L = 2.

3.   If $\frac{MP_L}{MP_K} = \frac{K}{L}$ and $\frac{w}{r} = 1$ and the isocost function is 20 = L + K. Compute the optimal values K and L.   (3)
     (Long-run optimality condition)

4.   Explain the break-even point diagrammatically using a typical total cost curve and a straight line total revenue curve.   (3)

5.   Explain the difference between fiscal and monetary policy.   (3)

6.   Express how price elasticity of demand affects the market equilibrium for a specific shift in the supply curve, using a diagram.   (3)

OR

     Express with the help of a diagram, how the market equilibrium is restored automatically if it is disturbed by a shock which initially reduces   (3)
     equilibrium price.

Group-C
(Long Answer Type Questions)   5 x 6=30

7.   Define isoquant and isocost. State the long-run optimality condition of the producer, using both equation and graph.   (5)
8.   Explain the relationship between total revenue and price elasticity of demand (i.e. how total revenue changes to a price change in elastic and   (5)
     inelastic demand scenarios).
9.   Explain the kinked demand curve theory in an oligopoly using a diagram.   (5)
10. Explain an individual firm's short run profit maximising output and shutdown point under perfect competition, using a diagram.   (5)

11.   If marginal product of K and L are given as $MP_L = 5\left(K/L\right)^{.5}$ and $MP_L = 5\left(K/L\right)^{-.5}$, and the   (5)
         isocost function is given as $100 = L + 2K$. Compute the optimal values K and L. (Long-run
         optimality condition)

12. Compare and contrast the salient features of different market structures (perfect competition, monopoly, oligopoly and monopolistic   (5)
     competition) with examples.

OR

     Compare and contrast the profit maximising output and profit under perfect competition and monopoly using diagrams.   (5)

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