Roll No.												

PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations – December 2025

Date: 19 – 12- 2025 **Time:** 09.30am to 12.30pm

School: SOL	**Program:** BBA. LL.B. (Hons.)	
Course Code: BBL3103	**Course Name:** Managerial Economics	
Semester: I	**Max Marks**: 100	**Weightage**: 50%

CO - Levels	**CO1**	**CO2**	**CO3**	**CO4**	**CO5**
Marks	**22**	**19**	**19**	**18**	**22**

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks. **10Q x 2M=20M**

1.	What do you mean by opportunity cost?	**2 Marks**	**L1**	**CO1**
2.	What is marginal cost?	**2 Marks**	**L1**	**CO2**
3.	State 2 diseconomies of scale.	**2 Marks**	**L1**	**CO2**
4.	State any two characteristics of oligopoly market.	**2 Marks**	**L1**	**CO3**
5.	On what grounds can a firm be classified as part of a Monopoly?	**2 Marks**	**L1**	**CO3**
6.	To study the overall performance of an economy, economists use an aggregate approach. What is the aggregate approach?	**2 Marks**	**L1**	**CO4**
7.	The size of the multiplier depends on the marginal propensity to consume (MPC). Write the formula for the multiplier and explain its relationship with MPC.	**2 Marks**	**L1**	**CO4**
8.	GDP and GNP are key indicators used to assess the overall economic activity of a nation. How does Gross Domestic Product differ from Gross National Product?	**2 Marks**	**L1**	**CO4**
9.	Keynes developed a new theory to explain the causes of unemployment and fluctuations in national income during the Great Depression. State any two key features of Keynesian theory of income determination.	**2 Marks**	**L1**	**CO4**
10.	The Central Bank formulates certain policies to regulate the flow of money and credit in the economy. Identify and define the policy.	**2 Marks**	**L1**	**CO5**

Part B

Answer the Questions. **Total Marks 80M**

11.	**a.**	The law of demand explains the inverse relationship between the price of a commodity and the quantity demanded. Illustrate the law of demand with the help of a demand schedule and a suitable diagram. (3 marks)	**10 Marks**	**L2**	**CO1**
	b.	The demand for a commodity is influenced by several factors apart from its price. Discuss the major determinants of demand. (3 marks)		**L2**	**CO1**
	c.	During a sudden shortage of onions, the price per kilogram rose from ₹40 to ₹100. Surprisingly, people continued to buy almost the same quantity, fearing further price rises. In another instance, a luxury car brand increased its prices, and demand for the cars actually went up, as buyers saw them as a symbol of prestige. 1. Identify the exceptions to the law of demand illustrated in the above case. (2 marks) 2. Explain why demand did not fall even when the prices increased. (2 marks)		**L3**	**CO1**
		Or			
12.	**a.**	In economics, supply represents the producer's side of the market for goods and services. What is meant by Supply? (2 marks)	**10 Marks**	**L2**	**CO1**
	b.	A mobile phone company installed new automated machinery in its production unit. The new technology allowed faster production and reduced wastage. Within a few weeks, the company was able to supply more phones at the same price level. 1. Identify the determinant of supply in this case. (1 mark) 2. Explain its effect on the firm's supply. (3 marks)		**L3**	**CO1**
	c.	As the price of a product changes, producers adjust the quantity they are willing to sell in the market. Explain and illustrate the law of supply using a supply schedule and diagram. (4 marks)		**L2**	**CO1**

13.	**a.**	The degree of responsiveness of quantity demanded to a change in the price of a commodity is called price elasticity of demand. Classify and explain the different degrees of price elasticity of demand. (3 marks)	**10 Marks**	**L2**	**CO1**

	b.	Economists study how demand responds to changes in a product's own price, the prices of related goods, and consumer income. Differentiate between price elasticity, income elasticity, and cross elasticity of demand. (3 marks)		**L2**	**CO1**
	c.	The price of a commodity decreases from ₹20 to ₹16 per unit. As a result, the quantity demanded increases from 100 units to 140 units. Calculate the Price Elasticity of Demand (PED) using the proportionate (percentage change) method and interpret the result. (4 Marks)		**L3**	**CO1**
		Or			
14.	**a.**	Producers may respond differently to price changes depending on various market conditions. Discuss the various degrees or types of price elasticity of supply. (3 marks)	**10 Marks**	**L2**	**CO1**
	b.	In a competitive market, the forces of demand and supply together decide the price at which goods are sold. Discuss the determination of equilibrium price using demand and supply diagrams. (3 marks)		**L2**	**CO1**
	c.	The price of a product increases from ₹50 to ₹60 per unit. As a result, the quantity supplied rises from 200 units to 260 units. Calculate the Price Elasticity of Supply (PES) using the proportionate (percentage) method and interpret the result. (4 marks)		**L3**	**CO1**

15.	**a.**	Classical economists believed that production automatically generates income and expenditure, leaving no room for general overproduction. Justify the statement "Supply creates its own demand" with reference to Say's Law of Markets. (2 marks)	**10 Marks**	**L2**	**CO4**
	b.	Macroeconomics studies the overall functioning of an economy and uses several key concepts to analyze economic performance. Describe the major concepts of Macroeconomics. (4 marks)		**L2**	**CO4**
	c.	The study of macroeconomics helps in understanding large-scale economic issues and provides a framework for effective policy-making. Explain the importance and significance of studying Macroeconomics in understanding the functioning of an economy. (4 marks)		**L2**	**CO4**
		Or			
16.	**a.**	The Marginal Propensity to Consume shows how changes in income affect consumer spending. What is meant by MPC? (2 marks)	**10 Marks**	**L2**	**CO4**

	b.	The Marginal Propensity to Save indicates how changes in income influence the amount people choose to save. What is meant by MPS? Explain its significance in economics. (2 marks)		**L2**	**CO4**
	c.	The investment function shows the relationship between the level of investment and the factors that affect it. Explain the main components or determinants of the investment function in an economy. (6 marks)		**L2**	**CO4**

17.	**a.**	Understanding the types of costs is essential for analyzing a firm's production and profit decisions. Explain the various types of costs in economics with appropriate examples. (4 marks)	**15 Marks**	**L2**	**CO2**
	b.	Economies of scale describe the cost benefits that arise when production is carried out on a large scale. Distinguish between internal economies of scale and external economies of scale. (6 marks)		**L2**	**CO2**
	c.	A firm produces 100 units of output. The total fixed cost (TFC) is ₹500, and the total variable cost (TVC) is ₹1,500. If the firm increases output to 150 units, the TVC rises to ₹2,100 (while fixed cost remains unchanged). Calculate the following: a) Total Cost of 100 units b) Average Fixed Cost (AFC) at 100 units c) Average Variable Cost (AVC) at 100 units d) Average Total Cost (ATC) at 100 units e) Marginal Cost (MC) when output increases from 100 to 150 units. (5 marks)		**L3**	**CO2**
		Or			
18.	**a.**	The production function helps to understand how various factors of production combine to produce goods and services. Define the term "production function" and describe its behavior in the short run and the long run. (3 marks)	**15 Marks**	**L2**	**CO2**
	b.	The law of returns to scale describes how output changes when all inputs are increased in the same proportion. Discuss and illustrate the law of returns to scale using an example, schedule, and diagram. (6 marks)		**L2**	**CO2**
	c.	In the short run, some factors of production are fixed and others are variable. The law of variable proportion shows the effect of changing one variable factor on total output. Describe and illustrate the law of variable proportion using an appropriate example, schedule, and diagram. (6 marks)		**L2**	**CO2**

19.	**a.**	In monopolistic competition, many firms sell products that are similar but not identical, leading to both competition and product differentiation. Describe the key characteristics of a monopolistic competitive market. (4 marks)	**15 Marks**	**L2**	**CO3**
	b.	While both perfect competition and monopolistic competition involve many firms, they differ in terms of product nature, pricing, and selling costs. Differentiate between perfect competition and monopolistic competition with reference to their key characteristics. (4 marks)		**L2**	**CO3**
	c.	Firms under monopolistic competition aim to maximize profits by equating marginal cost and marginal revenue, similar to other market structures. Explain the process by which equilibrium price and output are determined under monopolistic competition. (7 marks)		**L2**	**CO3**
		Or			
20.	**a.**	A firm may acquire monopoly status when it faces no close competition and has exclusive control over production or distribution. Explain the various factors responsible for the emergence of monopoly in a market. (4 marks)	**15 Marks**	**L2**	**CO3**
	b.	In a monopoly, the firm and the industry are the same entity, giving the producer significant control over price and output. Describe the main characteristics of a monopoly market structure. (4 marks)		**L2**	**CO3**
	c.	The equilibrium of a monopoly firm is established at the point where its marginal cost equals marginal revenue, ensuring maximum profit. Explain the process by which a monopoly firm determines equilibrium price and output, with the help of a diagram. (7 marks)		**L2**	**CO3**

21.		India has recently experienced a steady rise in the general price level over the last two years. The Consumer Price Index (CPI) inflation reached 7.5%, mainly driven by an increase in food and fuel prices. The Wholesale Price Index (WPI) also rose sharply, indicating cost pressures in manufacturing and logistics. Small businesses are struggling with higher input costs, while consumers face reduced purchasing power. Salaries in both public and private sectors have not increased proportionately, leading to a fall in real income. The Reserve Bank of India (RBI) has responded by tightening the monetary policy, raising repo rates to curb inflation. However, this move has increased borrowing costs for firms and individuals, slowing investment and consumption. Meanwhile, the Union Government has implemented several fiscal measures, such as cutting import duties on essential commodities, increasing subsidies on	**20 Marks**		

		fertilizers, and reducing excise duties on fuel. Critics argue that these measures may increase the fiscal deficit and worsen inflation in the long term. The situation raises a debate on the effectiveness of fiscal and monetary policies in maintaining price stability while promoting growth.			
	a.	Define inflation and explain the types of inflation. (6 marks)		**L2**	**CO5**
	b.	Identify and discuss the main causes of inflation in this scenario. (7 marks)		**L3**	**CO5**
	c.	Evaluate the effectiveness of the RBI's monetary policy in controlling inflation in given scenario. (7 marks)		**L3**	**CO5**
		Or			
22.		The Government of India, in response to a slowdown in economic growth, decided to increase spending on infrastructure projects such as roads, housing, and renewable energy. At the same time, it announced tax rebates for middle-income households to boost consumer spending. However, this expansionary fiscal stance led to a rise in the fiscal deficit and concerns about higher public debt. In another phase, when inflation began to rise, the government reduced expenditure and increased certain taxes to control demand. This shift represented a contractionary fiscal policy. Fiscal policy thus plays a vital role in stabilizing the economy by influencing aggregate demand, employment, and inflation. Fiscal measures such as taxation, public expenditure, and borrowing are the key tools used by the government to achieve economic stability and promote growth. The effectiveness of fiscal policy depends on how quickly and efficiently these measures are implemented, and on the coordination with monetary policy.	**20 Marks**		
	a.	Explain main objectives of fiscal policy. (8 marks)		**L2**	**CO5**
	b.	Identify and explain the fiscal policy instruments. (8 marks)		**L3**	**CO5**
	c.	How does fiscal policy help in maintaining economic stability? (4 marks)		**L3**	**CO5**