Roll No.												

PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations – December 2025

Date: 26 – 12- 2025 **Time:** 09:30am – 12:30pm

School: SOM-PG	**Program:** MBA	
Course Code: GMM4111	**Course Name:** Managerial Economics	
Semester: I	**Max Marks**: 100	**Weightage**: 50%

CO - Levels	**CO1**	**CO2**	**CO3**	**CO4**	**CO5**
Marks	**28**	**22**	**22**	**28**	

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 3 marks. **10Q x 3M=30M**

1.	What are the key points in a short run production function that delineates the three stages of production? Explain the relationship between the law of diminishing returns and the three stages of production.	**3 Marks**	**L2**	**CO1**
2.	"The perfectly competitive model is not very useful for managers because very few markets in the Indian economy are perfectly competitive." Do you agree with this statement? Explain. Regardless of whether you agree, what lessons can managers learn by studying perfectly competitive markets?	**3 Marks**	**L2**	**CO3**
3.	Would you expect the cross-elasticity coefficient between each of the following pairs of products to be positive or negative? Why a. Personal computers and software b. Electricity and natural gas c. Bread and DVRs.	**3 Marks**	**L3**	**CO2**
4.	Briefly explain the steps involved in analyzing regression results.	**3 Marks**	**L2**	**CO2**
5.	Explain how the concept of "economic profit" might help explain the rationale for the governments granting monopiles to those firms that protect their product with a patent.	**3 Marks**	**L3**	**CO3**
6.	Define and describe (giving examples) Psychological Pricing.	**3 Marks**	**L2**	**CO3**
7.	Analyze the challenges that managers face while estimating future sales and demand for the products.	**3 Marks**	**L3**	**CO2**

8.	Imagine a society that produces military goods and consumer goods, which we call "guns" and "butter". a. Draw the production possibility frontier for guns and butter. Using the concept of opportunity cost, explain why it most likely has a bowed-out shape.	**3 Marks**	**L4**	**CO4**
9.	Assume firms in the short run are earning above – normal profits. Explain what will happen to these profits in the long run for the following markets: a. Pure Monopoly b. Oligopoly c. Monopolistic Competition	**3 Marks**	**L3**	**CO3**
10.	Suppose we are interested in estimating demand for pizza at a non-residential college campus in an urban setting. Constitute an econometric model and explain the variables.	**3 Marks**	**L2**	**CO2**

Part B

Answer the Questions. **Total Marks 40M**

11. a. Sneha earns Rs. 8,00,000 a year as a financial manager at Genpact Corporation. On her way home from work one day, she gets an idea to start her own business. To buy necessary machines and equipment, she withdraws Rs. 2,00,000 from a saving account earning interest of Rs. 10,000 a year. She hires an assistant (Rs. 2,10,000 a year) and starts business operations in her own extra portion of the house, which she had been renting to a neighbor for Rs. 1000 a month. Sneha earned the total revenue of Rs. 13,50,000.

a. Using the concept of accounting profit, and economic profit explain opportunity cost.

b. Give her a rational suggestion about whether to continue the business or to go back to the previous job.

10 Marks | **L2** | **CO1**

Or

12. a. Returns to scale along two expansion paths

Capital (Y)	1	2	3	4	5	6	7	8
Labour (X)	1	2	3	4	5	6	7	8
Total Inputs (I)	2	4	6	8	10	12	14	16
Total Production (Q)	4	17	41	60	75	90	119	128

a. You might simply assume firms generally experience constant returns to scale. For example, if a firm has a factory of a particular size, then doubling its size along with a doubling of workers and machinery should lead to a doubling of output. Why should it result in a greater than proportional or, for that matter, a smaller than proportional increase?

b. Use the concept of elasticity (observing changes in production levels from 4 to 7 and from 119 to 128) to explain economies and diseconomies of scale.

10 Marks | **L2** | **CO1**

13.	**a.**	The equation for a demand curve has been estimated to be $$Q_d = 100 - 10P + 0.5Y$$ Where, Q is quantity, P is price, and Y is income. Assume P=7 and Y=50 a. Interpret the equation b. At a price of 7 what is price elasticity? c. At an income level of 50, what is income elasticity? d. Now assume income is 70. What is the price elasticity at P=8?	**10 Marks**	**L2**	**CO2**
		Or			
14.	**a.**	You have the following data for the last 12 months' sales for the PRQ corporation (in thousands of rupees): January 520 July 610 February 520 August 620 March 520 September 580 April 510 October 550 May 530 November 510 June 580 December 480 a. Calculate a 3-month moving average. b. Use this moving average to forecast sales for January of next year c. If you were asked to forecast January and February sales for next year, would you be confident of your forecast using the preceding moving averages? Why or why not?	**10 Marks**	**L2**	**CO2**

15.	**a.**	Use the model of perfect competition to explain, illustrate, or elaborate on the following statements. a. "Increasing competition from new firms entering the market is good because it means one is a good business." b. One important difference between an entrepreneur and a manager is that the former gets into a market before demand increases, while the later gets into the market after the shift."	**10 Marks**	**L4**	**CO3**
		Or			
16.	**a.**	In the short-run, firms that seek to maximize their market share will tend to charge a lower price for their products than firms that seek to maximize their profit. Do you agree with this statement? Rationalize your opinion with industry examples.	**10 Marks**	**L4**	**CO3**

17.	**a.**	How would each of the following likely affect the natural unemployment rate?	**10 Marks**	**L3**	**CO4**

		a. A new law prohibits people from seeking employment before age eighteen. b. The length of time that unemployed workers can receive government benefits increases from six months to one year. c. A new internet service (LinkedIn) makes it easy for people to check on the availability of jobs around the country.			
		Or			
18.	**a.**	It is sometime argued that economic growth that is "too rapid" will be associated with inflation. Use AD-AS analysis to show this statement might be true. When this claim is made, what type of shock is implicitly assumed to be hitting the economy?	**10 Marks**	**L3**	**CO4**

Part C

Answer all the Questions. Each question carries 15marks **2Q x 15M=30M**

19. **a.** Short-run production function with Capital (Y) = 2 — **15 Marks** **L5** **CO1**

Units of variable input Labour (X)	0	1	2	3	4	5	6	7	8
Total Product (Q)	0	7	17	29	40	48	52	54	52

a. Measure the Marginal Production and Average production of the short-run production function.
b. In the light of law of diminishing returns, explain three stages of production, graphically.
c. In the short-run, rational firms should be operating only in stage II, defend.

20. **a.** The following is information from the national income accounts for a hypothetical country: — **15 Marks** **L5** **CO4**

GDP	Rs 6,000
Gross Investment	800
Net Investment	200
Consumption	4000
Government purchases of goods and services	1,100
Government budget surplus	30

Analyze
a. Net Domestic Product
b. Net exports
c. Government taxes minus transfers
d. Disposable personal income
e. Personal savings