GAIN MORE KNOWLEDGE
REACH GREATER HEIGHTS

| ROLL NO. | |
|---|---|
| ID NO. | |

# PRESIDENCY UNIVERSITY, BENGALURU
## SCHOOL OF MANAGEMENT

Max Marks: 100 Max Time: 180 Mins Weightage: 40 %

## END TERM FINAL EXAMINATION

I Semester AY 2017-18 Course: **ECO 101 MANAGERIAL ECONOMICS** 28 DEC 2017

---

**Instructions:**

i. Write legibly
ii. Calculators allowed

---

### Part A

**[5Q x 4 M= 20 Marks]**

1. Give two example of price discrimination. In each case, explain why the monopolist chooses to follow this business strategy.
2. Explain Isoquant? What are the properties of Isoquant?
3. Detail the concept of Economies of Scale and Diseconomies of Scale
4. What is the difference between Monopoly and Monopsony?
5. What is a production function, detail a simple production function.

### Part B

**[4Q x 10 M= 40 Marks]**

6. What are the characteristics of a perfectly competitive market?
   Give a practical example of this type of market. How is perfect competition different from monopolistic competition?
7. Differentiate between law of variable proportion law of return to scale.
8. Describe the relationship between total product marginal product and average product? Specify in which a producer would prefer to stay and why?
9. Healthy Harry's Juice Bar has the following cost schedules:

| QUANTITY | VARIABLE COST(Rs) | TOTAL COST(Rs) |
|---|---|---|
| 0 | 0 | 30 |
| 1 | 10 | 40 |
| 2 | 25 | 55 |
| 3 | 45 | 75 |
| 4 | 70 | 100 |
| 5 | 100 | 130 |
| 6 | 135 | 165 |

a. Calculate average variable cost, average total cost, and marginal cost for each quantity.
b. Graph all three curves. What is the relationship between the marginal-cost curve and average total- cost curve? Between the marginal-cost curve and the average-variable-cost curve? Explain.

**Part C**

**[2 Q x 20 M= 40 Marks]**

10. From the below schedule calculate

| **Price of A (Rs)** | **Quantity demanded of A (Kg)** | **Quantity demanded of B(kg)** | **Income of Consumer** |
|---|---|---|---|
| 6 | 100 | 20 | 2000 |
| 6.5 | 90 | 30 | 1800 |
| 7 | 70 | 50 | 1600 |
| 7.5 | 40 | 70 | 1400 |
| 8 | 10 | 85 | 1200 |

1. Calculate the price elasticity (Arc) of demand for A ,if the price of A increase from Rs7 to Rs8 per Kg ,and indicate whether the demand is elastic or inelastic
2. Calculate the cross elasticity of demand for B when the price of A decrease from 7.50 to 6.50 .Are A and B complements or substitute
3. Calculate the income elasticity of demand for A and B when the income of consumers increases from 1400 to 1800.What type of products are A and B

11. De Beers, a South African mining group is a classic case of monopoly in diamond extraction. It resorted to capture its monopoly in the world diamond market through advertising strategy of popularizing diamonds as precious prestige goods among the gem stones.De Beers has established a central selling organization which controls more than 80 percent of the diamond business of the world. The company has its eye on emerging new market territories including China – as the world's biggest single market.

De Beers monthly pricing strategy implies continuous rise in the value of diamonds with its management of control over the market supply .When there is a slack in market condition, it withholds the stock at an appropriate time. The company supplements its supply control with demand manipulation to maintain a high level of diamond prices.

The company, however, observes that the diamond market in the new millennium is facing some serious problems. The main problems pertain to the oversupply of diamonds, falling prices and reduced profitability .Recently, big countries like Russia and America have dumped their stocks in the world diamond market that has caused reduced prices and lower profits to the Diamond King

1. How does DeBeers diamond business related to Monopoly case
2. How much market power does DeBeers have?
3. What type of profits monopolist earns in short run?
4. DeBeers pays for large amounts of advertising. If a monopoly is the sole seller of its product, why does it need to advertise?

# PRESIDENCY UNIVERSITY, BENGALURU
# SCHOOL OF MANAGEMENT

Max Marks: 60 | Max Time: 120 Mins | Weightage: 20 %

## 2017 MBA I SEMESTER
## MID TERM EXAMINATION

I Semester AY 2017-2018    Course: ECO101 **MANAGERIAL ECONOMICS**    11 NOV 2017
9:30 am-11.30 am (FN)

---

**Instructions:**

i. Write legibly
ii. Calculators allowed

---

## Part A

(5Q x 2 M= 1 0 Marks)

1. What is a production possibility frontier curve? How opportunity cost is related to it.
2. Explain the law of marginal rate of substitution?
3. What is a Giffen good and provide a suitable example of it
4. Suppose the price of a commodity falls from 6 to Rs 4 per unit and due to this quantity demanded of the commodity increases from 80 units to 120 units. Find out the price elasticity of demand.
5. Define cross price elasticity of demand. What is the value for cross price elasticity of demand for a substitute and complementary good?

## Part B

(6Q x 5 M= 30 Marks)

6. What is the difference between Changes in quantity supplied and Changes in supply? How the supply curve will shift if government provides subsidies and imposes tax on sellers.
7. How market equilibrium is defined? Explain with diagram the situation of surplus and shortage in the market.
8. Draw the law of demand and law of supply. Using appropriate diagrams explain how the demand curve and supply curve illustrates the related laws.
9. Explain different types of price elasticity of demand and for each case draw the demand curves. What would be the decision of a business manager on price of a good for elastic and inelastic price elasticity of demand of that good?
10. What is a price consumption curve and income consumption curve? How is it derived?

11. Explain the law of diminishing marginal utility? Who proposed this law?

| Units of apples | Total utility | Marginal utility |
|---|---|---|
| 1 | 20 | |
| 2 | 35 | |
| 3 | 45 | |
| 4 | 50 | |
| 5 | 50 | |
| 6 | 45 | |
| 7 | 35 | |
| 8 | 20 | |

Calculate the marginal utilities

## Part C

(2 Q x 10M= 20 Marks)

12. If Q = 62 -2P+ 0.2I + 25A

Where Q is quantity demanded per month

P is price per unit

I is an index of consumer income

A is company's advertising expenditures per month

Assume P = 4, I = 150, A = 4

a. Calculate the total quantity
b. Calculate the price elasticity of demand
c. Calculate the income elasticity of demand. Is it a luxury or a necessity good
d. Calculate the advertising elasticity of demand

13. According to Hicks how the consumer reaches to equilibrium situation. Explain the conditions required with the help of indifference curve and budget line. Explain with diagram.