INDIAN MARITIME UNIVERSITY
(A Central University, Govt.of India)

May/June 2015 End Semester Examinations

SEMESTER – I, M.B.A (INTERNATIONAL TRANSPORTATION AND LOGISTICS / PORT AND SHIPPING MANAGEMENT)

MANAGERIAL ECONOMICS (T 1102)

Date:06.06.2015 **Max.Marks:60**
Time:-3 Hrs **Pass Marks:30**

SECTION – A (12x1=12 Marks)
Answer ALL the questions. All question carry equal Marks

1. A straight-line demand curve along which the price elasticity of demand equals 0 is one that
   a) forms a 45 degree angle with the vertical axis.
   b) is horizontal.
   c) is vertical.
   d) forms a 60 degree angle with the horizontal axis.

2. If goods are substitutes, definitely their
   a) income elasticities are negative.
   b) income elasticities are positive.
   c) cross elasticities are positive.
   d) cross elasticities are negative

3. If the output is doubled, when all the inputs are increased by 1.5 times, then there is
   a) Increasing returns to scale
   b) Constant returns to scale
   c) Decreasing returns to scale
   d) None of the above

4. Elasticity of demand is 5.0 if a 10 percent increase in the price results in a ________decrease in the quantity demanded.
   a) 10 percent
   b) 50 percent
   c) 5 percent
   d) 2 percent

5. Producers' total revenue will decrease if:
   a) the price rises and demand is inelastic.
   b) income increases and the good is a normal good.
   c) the price rises and demand is elastic.
   d) income falls and the good is an inferior good.

6. A market under monopolistic competition has all the following features EXCEPT
   a) Firms are price taker
   b) Many sellers and buyers in the market
   c) Products are heterogeneous
   d) Entry and exit are unrestricted

7. If by increasing the quantity of labour by one unit, a firm gives up 3 units of capital, and yet produces the same level of output, then the $MRTS_{LK}$ is equal to
   a) 1/3
   b) 3
   c) 1
   d) 6

8. In the short run, for all output levels beyond the minimum of the AVC
   a) Both AVC and MC increase, with MC rising at a faster rate.
   b) Both AVC and MC increase, with AVC rising at a faster rate.
   c) Both AVC and MC decrease, with AVC falling at a faster rate.
   d) Both AVC and MC decrease, with MC falling at a faster rate.

9. Inferior goods are goods
   a) For which demand increases as income increases,
   b) Which have a high income elasticity of demand,
   c) For which demand increases as income decreases,
   d) Which are in very short supply.

10. Suppose wages of labour of a firm rise. What would happen to the equilibrium Price and quantity for the firm's output?
    a) Price increases, quantity decreases.
    b) Price decreases, quantity decreases.
    c) Price decreases, quantity increases.
    d) Price increases, quantity increases.

11. In order to maximize profit, a manufacturer, under perfect competition
    a) Will charge the maximum price,
    b) Will charge a price which will maximize sale,.
    c) Will charge a price which is equal to its marginal cost,
    d) None of the above.

12. If the income elasticity of demand is greater than unity, the firm will be
    a) A necessity
    b) A luxury
    c) An inferior good
    d) A non-related good.

SECTION – B (5x4=20 Marks)

Answer ANY five of the following questions. Each answer should not exceed 200 words.

13. State and explain the Law of Demand.

14. What are the similarities between perfect competition and monopolistic competition?

15. Write short notes on (a) Derived Demand; (b) Durable goods.

16. Define cross price elasticity of demand and state its importance.

17. Which forecasting technique is best suited in case of the following goods?
    (a) A consumer good which has been on sale for many years.
    (b) A new product, full scale launch of which will be very expensive.

18. What are the conditions under which 'price discrimination' can take place?

19. What is oligopoly?

SECTION – C (4x7=28 Marks)

Question No. 20 is compulsory. Answer ANY THREE of the remaining questions
Each answer should not exceed 500 words.

20. State and explain price elasticity of demand. Also explain income effect and substitution effect.

21. Explain how price and output in the short run are determined in a market under monopoly.

22. Discuss the nature and scope of managerial economics.

23. "Both micro-economics and macro-economics are complementary to each other." Comment.

24. Define, in your own words, the fixed costs and variable costs, and give examples. Also define marginal cost.

25. Below is given a demand equation :

$$Q = -6P + 400$$

Calculate price elasticity of demand if price is (i) Rs. 4, (ii) Rs. 10 and (iii) Rs. 15. Is the demand at these prices elastic or inelastic ?

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