IIHMR UNIVERSITY

School of Pharmaceutical Management

MBA Pharmaceutical Management

Batch-09th (2017-2019) First Year

Managerial Economics

Part - I

Term Examination

EXAMINATION CELL IIHMR

Time - 30 Minutes **MM-25**

Note: Each question has one mark and please tick-mark (√) for the right answer. Complete the Part I in first 30 minutes and hand over it to Invigilator.

1. The cost of additional unit of production is known as ....
   (a) Incremental cost
   (b) Total cost
   (c) Marginal cost
   (d) None of the above

2. Demand forecasting is important for.....
   (a) Price control
   (b) Business planning
   (c) Competitive strategy
   (d) All the above

3. .... increases and decreases with the volume of output.
   (a) Fixed cost
   (b) Variable cost
   (c) Total cost
   (d) Money cost

4. Division of labour which leads to .... is another cause of internal economies
   (a) Indivisibilities
   (b) Specialization
   (c) External economies
   (d) None

5. It is a case of .... Demand of the commodity changes with the change in price.
   (a) Income elasticity
   (b) Price elasticity
   (c) Cross elasticity
   (d) All the above

6. Microeconomics does not deal with the
   a) Price and output of cars.
   b) Behaviour of individual buyers and sellers of cars.
   c) Excise duty on cars.
   d) Inflation in India.

7. Opportunity cost of a thing is defined as the
   a) Sacrifice one has to make to get that thing.
   b) Loss of the next best alternative while selecting that thing.
   c) Price paid for getting that thing.
   d) All of the above.

8. The total revenue (TR) test of the price elasticity of demand (E) indicates that
   a) If TR and price move in the same direction, demand is price elastic
   b) If TR and price move in the opposite direction, absolute value of E < 1
   c) If TR and price move in the opposite direction, absolute value of E > 1
   d) The product is an item of necessity

9. If income elasticity of demand for a product is greater than unity, the product is
   a) Luxury
   b) Necessary
   c) Giffen good
   d) Inferior

10. Production function describes a relationship between
   a) Total revenue and factors of production
   b) Total cost and inputs
   c) Monetary value of output and physical quantities of factors of production
   d) Physical quantity of output and physical quantities of factors of production

11. Scarcity problem arises because our resources are ....
   a) Unlimited
   b) Limited
   c) Sufficient
   d) Vast

12. Resource of every economy are.............
   a) Sufficient
   b) Limited
   c) Unlimited
   d) Unutilized

13. Which of the following statements is incorrect?
   (a) Economic principles assume that decision-makers act rationally.
   (b) Economics is concerned with benefits and costs.
   (c) All firms seek maximum possible profit.
   (d) Government is an inevitable part of any economy.

14. Market (Industry) demand curve is obtained through summation of individual consumers demand curves
   a) At each of various given prices
   b) At each of various given quantities
   c) Horizontally i.e., across quantities
   d) Both (a) and (b) above
   e) Both (a) and (c) above

15. All economic problems are due to ....
   a) Unlimited wants
   b) Limited means
   c) Different priorities
   d) All the above

16. Change in the demand due to increase in the income of the consumers is known as .... of demand
   (a) Increase
   (b) Decrease
   (c) Extension
   (d) contraction

17. In case of .... Demand, a slight change in the price will make greater change in demand.
   (a) Perfectly elastic
   (b) Perfectly inelastic
   (c) Elastic
   (d) Inelastic

18. The demand will be .... If there is no change in the demand of the commodity, in spite of the change in the price of the commodity.
   (a) Perfectly elastic
   (b) Elastic
   (c) Perfectly inelastic
   (d) Inelastic

19. Change in the demand of commodity due to change in the price of the substitute is an example of ....
   (a) Cross elasticity
   (b) Price elasticity
   (c) Income elasticity
   (d) Neither of the above

20. In .... market goods are sold at uniform price.
   a) Perfect competition
   b) Monopoly
   c) Oligopoly
   d) Duopoly

21. Under perfect competition, which of the following statements is incorrect?
   (a) Firm is a price-taker
   (b) Firm is an output-taker
   (c) Price is a determined by invisible hands
   (d) P= marginal cost

22. Price of a product is not affected by the
   (a) Demand for the product
   (b) Marginal cost of its production
   (c) Government regulations on the product
   (d) None of the above

23. Profit maximization does not require
   (a) Marginal revenue= marginal cost
   (b) Marginal cost curve to intersect marginal revenue curve from below
   (c) Price is not less than the shut-down price
   (d) Average cost to be minimum possible

24. Intra-industry competition (market structure) does not depend on the
   (a) Number of firms in the industry
   (b) Degree of product differentiation in the industry
   (c) Firms' objectives
   (d) Entry/ exit barriers in the industry

25. Which of the following is not a necessary condition of the oligopoly market?
   (a) Significant entry/ exist barriers
   (b) Product differentiation
   (c) Presence of at least one "big" firm
   (d) None of the above

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Part - II

Term Examination

Time - 2:30 Hours **MM-75**

Q. 1. Describe the meaning of Managerial Economics. What is the scope and importance of managerial economics in pharmaceutical industry? **15**

Q. 2. What do you mean by "demand"? Describe the concept of "Elasticity of Demand". Describe the following: **15**

a. Income Elasticity of Demand
b. Cross Elasticity of Demand
c. Price Elasticity of Demand

Q. 3. The estimated market demand for good X is **15**

$Q = 70 - 3.5\, P - 0.6\, M + 4\, P_Z$

Where Q is the estimated number of units of good X demanded, P is the price of the good, M is income, and P_Z is the price of related good Z. (All parameter estimates are statistically significant at the 1 percent level.)

a. Is X a normal or an inferior good? Explain.
b. Are X and Z substitutes or complements? Explain.
c. At P=10, M=30, and P_Z=6, compute estimate for the price (E), income (E_M), and cross-price elasticities (E_{XZ}).

Q. 4. Providing meaning of the following term: **15**

a. Transfer Pricing
b. Tie-in-Sale Pricing
c. Market Power

Q. 5. Write short note on the following: **15**

a. Transaction Cost
b. Fixed and Variable Costs
c. Total, Average and Marginal Costs