Enrolment No.: ....

IIHMR UNIVERSITY

School of Development Studies

MBA Development Management

Batch-04th (2024-2026)

First Year, Term 1 End Term Examinations, December 2024

CC – 668 Managerial Economics

Time - 3 Hour **Maximum Marks: 50 (Minimum Marks: 20)**

Instructions to students:

- **This question paper contains 2 printed pages.**
- **Don't write anything on the Question Paper except your Enrolment No.**

Part A (Maximum Marks: 5)

Q1. Choose the correct option for the following (1 mark each):

(a). If a firm's revenues just cover all its opportunity costs, then:

(i) Normal profit is zero.
(ii) Economic profit is zero.
(iii) Total revenues equal its explicit costs.
(iv) Total revenues equal its implicit costs.

(b). Suppose a firm sells its product at a price lower than the opportunity cost of the inputs used to produce it. Which is true?

(i) The firm will earn accounting and economic profits.
(ii) The firm will face accounting and economic losses.
(iii) The firm will face an accounting loss, but earn economic profits.
(iv) The firm may earn accounting profits, but will face economic losses.

(c). Suppose that a firm produces 200,000 units a year and sells them all for Rs.10 each. The explicit costs of production are Rs.1,500,000 and the implicit costs of production are Rs. 300,000. The firm has an accounting profit of:

(i) Rs. 500,000 and an economic profit of Rs. 200,000.
(ii) Rs. 400,000 and an economic profit of Rs. 200,000.
(iii) Rs. 300,000 and an economic profit of Rs. 400,000.
(iv) Rs. 200,000 and an economic profit of Rs. 500,000.

(d). The short run is a time period in which:

(i) All resources are fixed.
(ii) The level of output is fixed.
(iii) The size of the production plant is variable.
(iv) D) Some resources are fixed and others are variable.

(e). The law of diminishing returns states that:

(i) As a firm uses more of a variable resource, given the quantity of fixed resources, the average product of the firm will increase.
(ii) As a firm uses more of a variable resource, given the quantity of fixed resources, marginal product of the firm will eventually decrease.
(iii) In the short run, the average total costs of the firm will eventually diminish.
(iv) In the long run, the average total costs of the firm will eventually diminish. 61. The law of diminishing returns only.

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Enrolment No.: ....

Part B

(Maximum Marks: 15)

Answer <u>any three</u> of the following (5 marks each).

Q2. Compare monopoly and monopolistic market

Q3. Differentiate between Demand and Supply curve

Q4. Differentiate between GDP and National Income

Q5. Compare Classical and Neo classical theories of economics

Q6. Describe Opportunity costs.

Part C

(Maximum Marks: 30)

Answer <u>any two</u> of the following questions in detail (15 marks each).

Q7. Imagine you are a manager in a small manufacturing company that produces a specific consumer product. You are tasked with optimizing the production process to increase output while minimizing costs. In this context, describe the Theory of Production Function and its relevance to your role as a manager. How can understanding this theory help you make informed decisions about your production process?

Q8. In the context of consumer behavior, discuss the interplay of the price, income, and substitution effects when a popular, relatively affordable smartphone suddenly becomes significantly cheaper due to a promotional sale. Evaluate the overall effect of this price change on consumer demand and the broader smartphone market. Consider the practical implications for businesses in the technology industry.

Q9. Discuss in brief the post 2014 economic reforms of India and their impact on Indian economy.

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