Jagan Institute of Management Studies
End-Term Examination, September-October, 2017
Trimester I – PGDM (IB) 2017-19

Managerial Economics
ET_IB_ME_2809

Time: 3 Hrs.   *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

Q 1 Write short notes on the following:
  a) What are substitute goods in economics?
  b) What is Marginal Utility of a good?
  c) What is the difference between fixed cost and variable cost?
  d) Define opportunity cost of a factor.
  e) What is the difference between price taker and price maker?   **15**

Q 2 **a)** What are the characteristics of Perfect Market?
  b) How is price determined in a perfect market?   **12**

Q 3 **a)** What is the relation between AP and MP of labour, explain with the help of diagram.
  b) In which stage a firm produces and why?   **12**

Q 4 It is normal to group the various determinants of demand into categories. The categories include:
    i) The price of the good.
    ii) The price of substitute goods.
    iii) The price of complementary goods.
    iv) Tastes.
    v) Income.
    vi) Expectations of future price changes.

Into which of the above categories would you put the following determinants of the demand for tennis shoes? Explain with the help of diagram if each of the following changes.
  a) The price of tennis rackets.
  b) The amount shops charge for tennis shoes.
  c) The earnings of people who might possibly buy tennis shoes.
  d) The price of running shoes.
  e) The likelihood that the government will impose a tax on imported sportswear in order to protect the domestic sportswear industry.

f) The amount of coverage to tennis given on the television. **12**

Q 5 Why government does fixes a maximum and minimum price fixation. Explain the MSP (minimum support prices) for crops with an example. **12**

Q 6 Show with a diagram and explain the equilibrium situation for Monopoly market. Show two diagrams, one for profit case and the other for loss situation. **12**

Q 7 Each labour charges Rs 100 as wages. The total fixed cost of the firm is Rs 200.

Labour	MP	AP	TP	TFC	TVC	TC	AVC	MC
1			10	200				
2		11		200				
3			36	200				
4				200				5
5			68	200				
6		12.83		200				
7				200				25
8	1			200				

a) Fill the above blanks. **5**
b) If the firm charges a price of Rs 25, is the firm making profit or loss. Explain using the above chart. Calculate Profit/Loss. **5**
c) In which stage the firm is actually producing. Explain using the chart and diagram. **9**

****