Name: Enrolment No:



UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES Online End Semester Examination, Jan 2021

Program: MBA-OG Course: Managerial Economics Course Code: ECON 7006

Semester: I Max. Marks: 100 Duration: 3 Hours

SECTION A						
1. Each Question will carry 5 marks.						
2.	Attempt all the questions. Write very short answer.					
S. No	Question	COs				
1.	Explain the first and second-order conditions of maximization.	CO1				
2.	What are the factors that are held constant while deriving an individual demand curve?	CO2				
3.	Which of the following commodities has the most inelastic demand and why?(a) Soap(b) Salt(c) Cigarettes, and(e) Ice-cream					
4.	Distinguish between cost function and production function.	CO1				
5.	What is the marginal rate of technical substitution?	CO1				
6.	How does the study of managerial economics help a business manager in decision-making?	CO2				
 Each Question will carry 10 marks. Attempt all the questions. Write short answer. 						
7.	Suppose that the general demand function for good X is –	CO3				
/.	$Q_d = 60 - 2P_X + 0.01M + 7P_Y$	205				
	Where,					
	Q_d = quantity of X commodity demanded,					
	M = consumer income,					
	$P_X = Price of X,$					
	P_Y = Price of related good Y,(a) Is good X normal of inferior? Explain.					
	(b) Are good X and Y substitutes or complements? Explain.					
	Suppose that $M = Rs. 40,000$ and $P_Y = Rs. 20$.					
	(c) What is the demand function of good X?					
	Suppose that a firm is currently employing 20 workers, the only variable input, at	CO3				
	a wage rate of Rs. 60. The average product of labour is 30, the last workers added					
8.	12 units to total output and total fixed cost is Rs. 3,600.					
	(a) What is marginal cost?(b) What is average variable cost?					
	(c) How much output being produced?					
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9.	average total cost?In a study published in 1980, B.B. Gibson estimated the following price and income elasticities of demand for six types of public goods:			CO4
	State Activity	Price Elasticity	Income Elasticity	
	Aid to needy people	-0.83	0.26	
	Pollution Control	-0.99	0.77	
	Colleges and Universities	-0.87	0.92	
	Elementary School aid	-1.16	1.14	
	Park and recreational areas	-1.02	1.06	
	Highway Construction and Maintenance	-1.09	0.99	
	 goods demand price is elastic? (b) What types of goods are these public goods? (c) If the price or cost of college and university education increased by 10 percent, what would be the change in the demand for college and university education? 			
10.	 (a) What is meant by break-even analysis? What purpose does it serve in business decisions? (b) Suppose cost and revenue functions of a firm are given as follows: TC = 500 + 20Q and TR = 25Q Find the output that breaks TC and TR even. 			
11.		xamples: Explicit Cost Implicit Cost		CO1
	SEC Each Question will carry 20 marks. Write long answer.	TION C		
12.	Gamma Corporation, one of the firms that retains you as a financial analyst, is considering buying out Beta Corporation, a small manufacturing firm that is now barely operating at a profit. You recommend the buyout because you believe that new management could substantially reduce production costs, and thereby increase profit to a quite attractive level. You collect the following product information in order to convince the CEO at Gamma corporation that Beta is indeed operating inefficiently:			
	$MP_{L} = 10,$ $MP_{K} = 15,$ Explain how these data provide evidence of manager of Beta Corporation improve efficiency of the second seco	$P_K = Rs. 15$ of inefficiency. How	w could the new	