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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End-Term Examination, December 2019

Program: MBA ET **Semester : I**
Subject (Course): Managerial Economics **Max. Marks : 100**
Course Code : ECON 7001 **Duration : 3 Hrs**

Section A

Note- Answer *all* the questions below. Each question has 2 marks.

1	When the average Product curve is rising …….. . **A.** The marginal product curve lies above the average product curve. **B.** The marginal product cure lies below the average product curve. **C.** The marginal product curve cuts the average product curve. **D.** None of the above.	**CO2**
2	The Iso-quant curve reflects……………… **A.** All the possible combinations of two inputs that give the same level of output. **B.** All the possible combinations of two inputs that give different levels of output. **C.** All the possible combinations of two product, where a producer is indifferent because it gives the same profit. **D.** None of the above.	**CO3**
3	In perfect competitive market a firm in the long- run operates at **A.** AC = MC **B.** MR = MC **C.** AR = MR **D.** P = AR = MR = AC = MC	**CO4**
4	Cross elasticity of demand is: **A.** Negative for complementary goods **B.** Negative for substitute goods. **C.** Unitary for inferior goods. **D.** Positive for inferior goods	**CO2**
5	A perfectly competitive firm has control over **A.** price **B.** production as well as price	**CO3**

	C. production, price and consumers **D.** none of the above	

Section B

Note- Answer *all* the questions below. Each question has 5 marks.

1	Define and Explain Isoquant curve & Isocost curve with diagram. What are properties of Isoquant Curve?	**CO4**
2	Define the following different elasticity of demand **1.** Arch elasticity & Point Elasticity **2.** Price elasticity & Cross Elasticity	**CO2**
3	Explain the circular flow income under two sectors, three sectors & four sectors economy model.	**CO1**
4	Explain Marginal rate of Technical Substitution (MRT_{LK}) (where L = Labor and K = Capital). Illustrate your answer with the help of diagram.	**CO3**

Section C

Note- Answer *all* the questions below. Each question has 10 marks.

1	What is meant by production function? Explain briefly law of returns to variable proportion & law of returns to scale. Illustrate your answer graphically.	**CO2**
2	Explain the price & output determination under the monopoly in the short run & long run. Illustrate your answer graphically. How is the short run equilibrium of a firm different from its long run equilibrium?	**CO1**
3	Define the elasticity of demand. Distinguish between price elasticity, income elasticity & Cross elasticity of demand. Discuss the methods of measurement of elasticity of demand.	**CO3**
4	Define the market structure. Explain the price discrimination under monopoly market Illustrate your answer graphically.	**CO4**

Section D

Note- Answer *all* the questions below. Each question has 15 marks.

1	For a firm under perfect competition it is given that P=19 and C= $1/3x^3-5x^2+28x+27$, where P stands for price per unit, x units of output and C for total cost. Find **i.** Quantity produced at which profit will be Maximum and the amount of maximum profit **ii.** What happens to equilibrium output & maximum profit when P =12	**CO3** **CO2**
2	A firm has estimated the following demand function for its product: ***Q* = 100 – 5*P* + 5*I* + 15*A*** where *Q* is quantity demanded per month in thousands, *P* is product price, *I* is an index of consumer income, and *A* is advertising expenditures per month in thousands. Assume that *P* = \$200, *I* =150, and *A* = 30. Use the point formulas to complete the elasticity calculations indicated below. **A.** Calculate quantity demanded. **B.** Calculate the price elasticity for demand. Is demand elastic, inelastic, or unit elastic? **C.** Calculate the income elasticity of demand. Is the good normal or inferior? Is it a necessity or a luxury? **D.** Calculate the advertising elasticity of demand	**CO4** **CO3**