



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – ECONOMICS

FIFTH SEMESTER – APRIL 2014

EC 5402 - MANAGERIAL ECONOMICS

Date : 09/04/2014
Time : 01:00-04:00

Dept. No.

Max. : 100 Marks

PART - A

Answer any **Five** questions in about 75 words each

(5x 4 = 20 Marks)

1. Define managerial economics.
2. Draw a diagram to show the sales maximizing output of a firm.
3. Distinguish between active forecasting and passive forecasting.
4. What is meant by Marginal cost pricing?
5. Fixed cost of a firm is Rs.1000. Price at which the firm sells its product at Rs.20 and average variable cost is Rs. 15. Find out the level of output to achieve the target level of profit.
6. What are sunk costs? Give Examples.
7. Define capital budgeting.

PART – B

Answer any **four** questions in about 300 words each

(4 x 10 = 40 Marks)

8. Explain the nature and scope of managerial economics.
9. Explain the objectives of short term and long term demand forecasting.
10. Discuss Simon's satisficing theory.
11. Explain the following concepts :-
 - a) Customary pricing,
 - b) Peak-load pricing,
 - c) Loss-leader pricing,
 - d) Administered Pricing,
 - e) going-rate pricing.
12. Describe the different areas of cost control.
13. Analyze the factors influencing investment decision.
14. Compare ROR criterion and profitability criterion of Capital budgeting.

PART C

Answer any **TWO** questions in about 900 words each

(2x 20 = 40 Marks)

15. Explain the survey and statistical methods of demand forecasting
16. Explain the algebraic and graphical techniques of analyzing break-even points.
17. Explain the various considerations involved in price differentials
18. a) Examine the various methods of evaluating the profitability of project proposal and discuss their relative merits and limitations
b) The following table shows related data to project A and B

Project	Annual cash Flow (Rs)	Original investment (Rs)	Life in years	PV factor at 10%
A	12,000	60,000	15	7.7688
B	4,500	20,500	10	6.3213

Rank these projects using pay back and the net present value methods.
