



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – ECONOMICS

FIFTH SEMESTER – NOVEMBER 2014

EC 5402 - MANAGERIAL ECONOMICS

Date : 10/11/2014
Time : 09:00-12:00

Dept. No.

Max. : 100 Marks

PART-A

Answer any Five questions in about 75 words each:

5x4=20marks

1. State the economic principles applied to managerial economics.
2. Distinguish between Substitute and complements with examples. How does this distinction of goods help in business decision making?
3. State the determinants of demand for capital goods.
4. List out the limitations of Break-even analysis.
5. What is meant by Demand forecasting?
6. Bring out the sources of capital for firm.
7. Differentiate between explicit cost and implicit cost.

PART B

Answer any FOUR questions in about 300 words each:

4x10=40 marks

8. Explain the scope of managerial economics.
9. State and explain the short run cost curves with diagrammatic representation.
10. a) Break even production of a firm is 5,000 units. Its fixed cost is Rs 50,000; the variable cost per unit is Rs.25. Find out the price of the product. How much a firm should produce to earn profit of Rs 25,000?
B) Goldline airline has the monthly seating capacity of 20,000 passengers on one of its route as a fare of Rs.170. variable cost is Rs.20 per passenger and fixed cost is Rs.6,00,000 Find:
 - a) Break even quantity
 - b) Break even sales
 - c) Break even percentage capacity
11. Explain the determinants of demand forecasting.
12. What is meant by Capital Budgeting? Discuss the significance of Discounted Cash Flow methods.
13. Explain in detail the economies of scale.
14. Explain the managerial use of breakeven analysis.
15. Write a brief note on the following :
 - a) Types of price elasticity of demand
 - b) Competition oriented pricing

PART-C

Answer any TWO questions in about 900 words each:

2x20=40 marks

16. What lies in the foundation of alternative theories of business firm? Do the alternative theories really offer an alternative explanation of firm's behavior?
17. a) "Managerial economics is economics applied in decision making" - Discuss
b) State and explain the factors determining demand.
18. The following table relates to the price (In Rs. Thousands) of a DVD player and its supply (in Thousands) in the state of Goa in 2013. Fit a linear regression line and estimate the supply of DVD players when the price is Rs 10,000

Price (in Rs Thousands)	1	2	3	4	5
Supply (In thousands)	140	180	210	235	260

19. Write a short note on:
 - a) Opinion Polling Methods
 - b) The Management of a company has two alternative projects under consideration. Project A requires a capital outlay of Rs.1, 20,000 but project B needs Rs.1,80,000. Both are estimated to provide a cash flow for five years: X Rs 40,000 per year and Y Rs. 58,000 per year. The cost of Capital is 10%. Show which of the two projects is preferable from the view point of Net present value method
