# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.A.** DEGREE EXAMINATION – **ECONOMICS**

FIFTH SEMESTER – APRIL 2017

**EC 5402 - MANAGERIAL ECONOMICS**

Date: 02-05-2017   Dept. No.   Max. : 100 Marks
Time: 01:00-04:00

## PART A

**Answer any FIVE questions in about 75 words each**            **(5 x 4 = 20 marks)**

1. Define Managerial Economics.
2. Distinguish between active forecasting and passive forecasting.
3. Write a short note on going-rate pricing.
4. Briefly explain the concept of Cost Reduction.
5. Distinguish between opportunity cost and imputed cost.
6. Managerial economics is both conceptual and metrical – Briefly explain.
7. What is Internal Rate of Return?

## PART B

**Answer any FOUR questions in about 250 words each**            **(4 x 10 = 40 marks)**

8. Explain the nature and scope of Managerial Economics.
9. Give a detailed account of various factors that influence investment decisions.
10. Explain the steps involved in forecasting demand.
11. Computex Company Pvt. Ltd. Is considering to purchase a machine. Three machines A, B and C are available, each costing Rs. 5,00,000. In comparing the profitability of the machines, a discounted rate of 10% is to be used. Earnings after taxation are expected to be as follows. Select the most profitable machine using Net Present Value.

| Year | Machine A | Machine B | Machine C |
|------|-----------|-----------|-----------|
| 1 | 2,00,000 | 75,000 | 1,00,000 |
| 2 | 2,50,000 | 1,50,000 | 2,00,000 |
| 3 | 1,50,000 | 3,00,000 | 2,00,000 |
| 4 | 1,00,000 | 2,00,000 | 1,00,000 |
| 5 | 75,000 | 1,00,000 | 75,000 |

12. Explain the Berle-Means-Galbraith model of Corporate Power Structure.

13. Explain the Marginal Cost Pricing method. What are its advantages and limitations?

14. With the aid of a diagram explain the Product Life Cycle of a commodity.

## PART C

**Answer any TWO questions in about 900 words each**          **(2 x 20 = 40 marks)**

15. Enumerate the survey and statistical methods of demand forecasting.
16. Explain the profit maximization model and derive the conditions for profit maximization.
17. Explain the various tools of cost control followed by the firms.
18. Fit a linear regression line to the following data and estimate the demand at price = Rs.30.

| Year | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Price (P) | 15 | 15 | 12 | 26 | 18 | 12 | 8 | 38 | 26 | 19 | 29 | 22 |
| Sales(S) | 52 | 46 | 38 | 37 | 37 | 37 | 34 | 25 | 22 | 22 | 20 | 14 |

$$\$\$\$\$\$\$\$$$