



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – ECONOMICS

FIFTH SEMESTER – NOVEMBER 2015

EC 5402 - MANAGERIAL ECONOMICS

Date : 13/11/2015
Time : 09:00-12:00

Dept. No.

Max. : 100 Marks

PART – A

Answer any Five questions in 75 words each

(5 x4 = 20 Marks)

1. Define managerial economics.
2. State the economic principles applied to managerial economics
3. Write a note on cross elasticity of demand
4. Write short notes on :a) Administered prices B) peak load pricing
5. State the determinants of demand for a consumer durable item like refrigerator
6. Write a brief note on sunk cost and opportunity cost
7. Define capital budgeting

PART – B

Answer any Four questions in 300 words each

(4 x 10 = 40 Marks)

8. Briefly explain the determinants of demand forecasting for capital goods
9. Is managerial economics a positive or normative science? Comment
10. Explain the managerial use of Break-even analysis
11. a) A small firm incurs fixed expenses amounting to Rs12,000, its variable cost of product X is Rs.5 per unit. Its selling price is Rs.8. Determine
 - (i) Break even quantity
 - (ii) Safety margin for the sales of 5000 units
 - (iii) prove $TR=TC$b) A firm produces 8000 units of commodity Y at the total fixed cost Rs.24000 and Total variable cost of RS 40000. Find the price which the firm would charge from its customers if it wants to make a net profit margin 15% on cost. The firm uses cost plus pricing method
12. Explain the various cost concepts used in managerial economics
13. Write a brief note on the following
 - a) Types of price elasticity of demand
 - b) Responsibilities of a managerial economist
14. Explain the objectives of Pricing policies.

PART C

Answer any TWO questions in 900 words each

(2x 20 = 40Marks)

15. Discuss the main objectives of the firm in a modern economy

16. a) By the method of least squares, find the trend values for each of the 6 years. Also estimate the annual sales for 2016-2018

Year	2010	2011	2012	2013	2014	2015
sales	50	62	15	78	48	74

b) Explain and illustrate break even chart. Point out the usefulness of break-even analysis

17. . Explain the techniques of capital investment appraisal

18. The production department of a firm is considering a proposal to purchase a new machine for which two models are available .Each of these models is available at Rs.1500000 with a life span of five years. However the expected cash inflow have different pattern hence the General Manger purchase wants an expert's advice to decide which machine should be purchased

The cashinflow pattern is given as follow

Machine	Annual cash inflow				
	Year1	Year2	Year3	Year4	Year5
A	200000	400000	400000	600000	1100000
B	500000	500000	500000	500000	500000

You are required to calculate the following and

a) Give your recommendations with justifications and

B) Explain the difference in results

i) Calculate NPV assuming cost of capital at 10%

ii) Calculate Profitability index
