Term End Examination – December, 2018
Diploma in Management (DIM)
2015 – 2016 Syllabus
DIM-03: Managerial Economics

Time – 3 Hours **Full Marks – 100**

Answer all questions from 'Group-A', any four questions from 'Group-B', any four questions from 'Group-C' and any two questions from 'Group-D'

Group-A (1x10=10 Marks)

Q. No. 01. Answer all the questions.

i. Which of the following best describes the concept of price elasticity of demand?

a. The amount by which quantity changes for a given change in price.
b. The proportion of change in sales for a given proportional change in price.
c. The proportion of change in price for a given proportional change in sales.
d. The proportion of change in sales for a given proportional change in the Consumer Price Level.

ii. Which of the following statements accurately describes the effects of price-elastic demand?

a. A firm can increase revenue by cutting our selling price.
b. Profit can definitely be increased by cutting price.
c. Since our sales fall by 10,000 units for every $1.00 increase in price, we must lower our price to increase profits."
d. None of the above accurately describes the effects of price elastic demand.

iii. Which of the following describes marginal revenue?

a. The rate of change in total revenue for an arbitrarily small change in input prices.
b. The addition to total revenue associated with a one-unit rise in quantity.
c. The amount of revenue generated from the last unit produced.
d. The change in total revenue for a given change in price.

iv. Which of the following does NOT affect the way in which the firm allocates its resources?

a. Productive technology.
b. The market structure of its raw materials suppliers.
c. The transaction costs of a new contract with a customer.
d. All of the above will affect the firm's allocation of resources.

v. Which of the following is the most important characteristic of transactions costs?

a. The inability to predict the future perfectly.
b. The frequency of occurrence requiring explicit contracts.
c. Asset specificity.
d. The price the firm charges for its product.

vi. Demand is determined by

a. Price of the product b. Relative prices of other goods
c. Tastes and habits of customers d. All of the above

vii. When a firm's average revenue is equal to its average cost, it gets ________.

a. Super profit b. Normal profitc. Sub normal profit d. None of the above

viii. Given the price, if the cost of production increases because of higher price of raw materials, the supply

a. Decreases b. Increases c. Remains same d. Any of the above

ix. The out of pocket costs are ________.

a. Sunk costs b. Marginal costs c. Explicit costs d. Social costs

x. The short run Average Cost curve is __ shaped

a. V b. U c. L d. Z

Group-B **(5x4= 20 Marks)**

Q. No. 02 Write notes on any four from the following (each within 50 words).

a) Cross elasticity of demand
b) Opportunity cost
c) Economies of scale
d) Demand
e) Managerial economics
f) Transaction cost

Group-C **(10x4=40 Marks)**

Q. No. 03 Answer any four questions (each within 200 words).

a) How short term and long term production functions are different? Explain with example.
b) What is elasticity of demand? How does it impact business?
c) What do you mean by economies of scale? How does it affect short and long term business decision making?
d) "Opportunity cost affects business decision making". Do you agree? Justify.
e) Differentiate between marginal product and average product with example.
f) Explain the law of supply with example.

Group-D **(15x2=30 Marks)**

Q. No. 04. Answer any two questions (each within 250 words).

a) Differentiate between isoquant and isocost analysis? How are they related to producer's equilibrium?
b) Discuss various types of market structure with example.
c) Explain the nature and scope of managerial economics. How micro economics is different from macro economics?
d) Explain various inputs for a business organization with their relevance for the survival and growth of business.