PGDM (2013-15)

MANAGERIAL ECONOMICS

Subject Code: DM-103

Trimester – 1, End-Term Examination: September 2013

**Time allowed:** 2 Hrs 30 Min **Max Marks:** 50

**Roll No:**

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will treated as **Unfair Means.** In case of rough work, please use answer sheet.

## SECTION-A

| Sections | No. of Questions to attempt | Marks | Marks |
|---|---|---|---|
| A | 3 out of 5(Short Questions) | 5 Marks each | 3*5=15 |
| B | 2 out of 3(Long Questions) | 10 Marks each | 2*10=20 |
| C | Compulsory Case Study | 15 Marks | 15 |
| | | **Total Marks** | **50** |

1. Why is demand likely to be more elastic in the long run than in the short run?
2. Explain consumer's equilibrium by using indifference curve.
3. Explain the differences between economies of scale, constant returns to scale and diminishing returns to scale.
4. Explain `kinked demand curve'.
5. What is `derived demand'? Explain with examples.

## SECTION-B

1.Here are data for total production costs of a manufacturing firm at various levels of output.

| *Output(units)* | *Total cost(Rs)* |
|---|---|
| 0 | 2,000 |
| 20 | 2,200 |
| 40 | 2,300 |
| 60 | 2,380 |
| 100 | 2,600 |
| 200 | 3,300 |
| 300 | 4,200 |
| 400 | 5,300 |
| 500 | 6,650 |
| 1,000 | 14,650 |

a) Calculate average variable cost(AVC), average total cost(ATC), and average fixed cost(AFC).
b) Calculate marginal or incremental cost over each production range for which data is given.
c) How much profit is made?
d) At output levels shown in the table immediately on either side of the profit-maximizing output, what is the level of profit?

2. What are qualitative and quantitative methods of forecasting? Describe one of the most important qualitative forecasting methods.
3. Sales (in Rs Lakhs) of a new Mobile is given under. Estimate the sales for the year 2013 and 2014 using OLS.

| .Year | Sales (Rs Lakhs) |
|---|---|
| 2006 | 100 |
| 2007 | 110 |
| 2008 | 112 |
| 2009 | 103 |
| 2010 | 114 |
| 2011 | 119 |
| 2012 | 112 |

## Case-study

### CHANGES IN DEMAND FOR NEWSPAPERS

In September 1993 the owners of *The Times* newspaper unilaterally lowered the price of *The Times* by one-third. Initially, all the major competing newspapers kept their prices constant and carried on as if nothing had happened. Only later did a price war break out. Consumers ' average income changed only slightly.

| | Price Pre-Sept'93 | Price Post-Sept'93 | Average Daily Sales Pre-Sept'93 | Average Daily Sales Post-Sept'93 | **Percentage Change Price** | **Percentage Change Sales** |
|---|---|---|---|---|---|---|
| **The Times** | 45p | 30p | 376,836 | 448,962 | -40.0 | +17.5 |
| **Guardian** | 45p | 45p | 420,154 | 401,705 | 0 | -4.5 |
| **Daily Telegraph** | 45p | 45p | 1,037,375 | 1,017,326 | 0 | -1.95 |
| **Independent** | 50p | 50p | 362,099 | 311,046 | 0 | -15.2 |
| **Total** | | | **2,196,464** | **2,179,039** | | |

The sales figures are daily average circulation for September 1992 to February 1993 and for September 1993 to February 1994.

Q 1. Calculate the elasticities of demand and explain the possible causes of changes in demand for the newspapers.