



# UNIVERSITY OF THE PUNJAB

Seventh Semester – 2019

Examination: B.S. 4 Years Program

Roll No. in Fig. ....

Roll No. in Words. ....

**PAPER: Managerial Economics**

**MAX. TIME: 15 Min.**

**Course Code: COMM-404 Part-I (Compulsory)**

**MAX. MARKS: 10**

Signature of Supdt.: .....

**Attempt this Paper on this Question Sheet only.**

**Please encircle the correct option. Division of marks is given in front of each question.**

**This Paper will be collected back after expiry of time limit mentioned above.**

**Q.1. Encircle the right answer, cutting and overwriting is not allowed. (1x10=10)**

- i) Which of the following is the best definition of managerial economics? Managerial economics is
- a distinct field of economic theory.
  - a field that applies economic theory and the tools of decision sciences.
  - a field that combines economic theory and mathematics.
  - none of the above.
- ii) If  $Z = 2X^3 + 5XY$ , then the second order direct partial derivative  $Z_{xx}$  would be
- 5Y
  - $6X^2$
  - 5XY
  - 12X
- iii) If a rise in supply exceeds a rise in demand, then we should expect
- the equilibrium price and quantity levels will rise.
  - the equilibrium price will rise while the equilibrium quantity will decline.
  - The equilibrium price will fall while the equilibrium quantity will rise.
  - the equilibrium price and quantity levels will decline.
- iv) If both income elasticity of demand and price elasticity of demand are negative, the good is
- A normal good
  - An inferior good
  - A Giffen Good
  - None of the above
- v) Isoquant for two substitutable goods is
- Concave
  - Convex
  - Straight Line
  - L-shaped
- vi) In perfectly competitive markets
- Firms can individually set the price
  - There are few sellers
  - Firms can enter and exit the market freely
  - All of the above
- vii) The current worth of a sum of money to be received at a future date is called:
- real value
  - future value
  - present value
  - salvage value
- viii) Following is a relation of Marginal Revenue (MR), Price (P) and Price Elasticity of demand (E)
- $MR = P(1 + 1/E)$
  - $MR = P(1 - 1/E)$
  - $MR = E(1 - 1/P)$
  - $MR = E(1 + 1/P)$
- ix) If  $w = 1000$ ,  $r = 2000$ , and  $C = 10000$ , where  $w$  = wages,  $r$  = rate of interest and  $C$  = Cost, then the absolute value of the slope of the Isocost may be
- 0.5
  - 2000
  - 10
  - 2.5
- x) A Market with large number of sellers and differentiated products is called
- Monopoly
  - Monopolistic Competition
  - Perfect Competition
  - Monopsony



# UNIVERSITY OF THE PUNJAB

Seventh Semester – 2019

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Roll No. ....

**PAPER: Managerial Economics**

**Course Code: COMM-404 Part – II**

**MAX. TIME: 2 Hrs. 45 Min.**

**MAX. MARKS: 50**

**ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED**

**Question 2.** Answer the following in 5 to 10 sentences each. Unnecessarily long answers will lead to negative marking.

Marks: 20 (2 each)

- Discuss what Managerial Economics is about.
- Why is the demand curve downward sloping?
- Describe the concept of cross price elasticity of demand using an example.
- Which is the planning curve of the firm? Explain it.
- Find Q where MC is minimum if Cost  $C = Q^3 - 8Q^2 + 57Q + 2$
- Differentiate between Risk Averter and Risk Seeker Managers.
- What is meant by increasing return to scale?
- What is an ISOCOST line? What happens to it if the wage rate decreases?
- Explain any two characteristics of Monopolistic Competition.
- Explain what is Marginal Rate of Technical Substitution?

*Answer the following questions. Avoid unnecessary details. (Marks: 10 Marks per question)*

**Question No. 3** What is the purpose of Managerial Economics as a subject? What other subjects are related to Managerial Economics?

**Question No. 4** What is Monopoly? Discuss the short run equilibrium of the firm under Monopoly.

**Question No. 5** Describe various types of Elasticity of Demand.

**OR**

Consider the following Demand Function and related information and answer the questions.

$$Q = 200 - 0.15P + 0.05I$$

Where  $Q$  = Quantity Demanded,  $P$  = Price and  $I$  = Income

$$\text{Let } P = 2500 \text{ and } I = 50000$$

- Calculate the quantity demanded
- Calculate and interpret the price elasticity of demand at the given values
- Calculate and interpret the income elasticity of demand at the given values