PG Odd Semester (CBCS) Exam., December—2017

COMMERCE

(1st Semester)

Course No. : COMCC–104

(Managerial Economics)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer **five** questions, selecting **one** from each Unit

UNIT—I

1. What would be your suggestions to a consumer and a producer to optimize their utilities and profits respectively under the budgetary constraints? Justify your answer with the help of the relevant theories of business economics. 7+7=14

2. Define barometric forecasting. Put forward the rationale for using barometric forecasting. Delineate the major leading indicators usually applied by business managers in their forecastings about the business prospects in near future. 2+3+9=14

UNIT—II

3. Based on a consultating economist's report, the total and marginal cost functions for AV Electronics Ltd. are—

$$TC \quad 200 \quad 5Q \quad 0\ 04Q^2 \quad 0\ 001Q^3$$

$$MC \quad 5 \quad 0\ 08Q \quad 0\ 003Q^2$$

The president of the company determines that knowing only these equations are inadequate for decision making. You have been directed to do the following :

(a) Determine the level of fixed cost (if any) and equations for average total cost, average variable cost and average fixed cost.

(b) Determine the output level that results in minimum average variable cost.

(c) If fixed cost increases to ₹ 500, what would be required output at a minimum average variable cost? 14

4. What is the most fundamental difference in short-run and long-run cost functions? Why do increasing returns to scale imply a decreasing long-run average cost function and decreasing return to scale implies an increasing long-run average cost function? Explain. 2+6+6=14

UNIT—III

5. Discuss the role of number of buyers, sellers, homogeneity and heterogeneity of products, short-run and long-run, and price rigidity in determining the types of market competition (structure). Why is this determination so important for a business manager? Explain. 10+4=14

6. Write short notes on the following : 7+7=14

(a) Peak load pricing and its advantages

(b) Cost-plus pricing and its consistency with profit maximization

UNIT—IV

7. Suppose firms expect a huge boom in a couple of years. What happens today to investment, income and interest rates? Examine the possibilities with the help of investment theory of business cycle. 14

8. Define inflation. Examine the role of money supply in the area of inflation analysis. Why is inflation assumed adverse for business activities? Explain. 4+10=14

UNIT—V

9. Define public finance. Describe the role of public expenditure in an economy. When do public expenditures become inflationary? Examine in detail. 3+5+6=14

10. Enlist the criteria adopted by the 14th Finance Commission of India to determine the share of States in Union taxes. Put forward some suggestions to improve Federal finance relation in India in the light of the above. 8+6=14

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