5. Write short notes on :

(a) Technological improvement impact on a firms isoquant

(b) Derived demand for factor inputs

(c) Monopolistic competition and excess capacity

(5×3=15)

15-5-17 (morning) Monday

[This question paper contains 4 printed pages.]

Your Roll No..............

Sr. No. of Question Paper : **7360**

Unique Paper Code : 61011203

Name of the Paper : Managerial Economics

Name of the Course : **Bachelor of Management Studies (BMS), 2017 (CBCS)**

Semester : II

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. **All** questions are compulsory.

1. (a) Milk and Orange Juice are considered substitutes. There is a sudden increase in the quantity of milk sold. What will be the impact of this on the demand for Orange Juice.

(b) A 10% increase in the price of electricity leads to a 20% fall in the demand for Airconditioners. What is the Cross price elasticity of demand for Airconditioners with respect to price of Airconditioners ?

(c) Given that Marginal Productivity of Labour (MPL) = 80, Wage rate (w) = 40, Marginal Productivity of Capital (MPK) = 60, Rental Cost of Capital (r) = 20. Is this firm maximizing profit ? If not, then what is the solution ?

(d) If the total product curve is a straight line though the origin, what do the average product and marginal product curves look like ?

(e) What is the cost to the society under a monopoly market structure as compared to a perfect competitive market ? (3×5=15)

2. (a) Describe the three stages of production with a single variable input. (8)

(b) Discuss the short run and long run expansion path of a firm. How is the short run path inefficient in comparison to the long run ? (7)

3. (a) Derive the Demand Curve and the Engel Curve for a normal good. (8)

(b) The government lowers the tax on Aviation Fuel. What is the extent to which this benefit will be transferred by the industry to the airline consumer ? Explain using the price elasticity of demand and supply. (7)

4. (a) The Gita Press (GP) is a publishing company in the religious book industry. GP is a typical firm in that the goal is to spread the divine message by maximizing production and sale. It prices its product in a manner that ensures no losses and at the same time avoids any positive profits. Given below is its cost schedule typical of other firms in the industry.

Q (lakh unit)	0	1	2	3	4	5	6	7	8	9	10
TC (Rs. Lakh)	10	60	100	130	150	180	220	270	330	410	500

(i) If price of output is Rs. 30, how much would GP produce and sell ? How much would a typical firm produce and sell ?

(ii) Draw the short run supply curve of GP.

OR

(a) Smaller milk producers in Delhi cannot raise their prices unless Amul and Mother Dairy lead the way. Show how. (8)

(b) "The demand curve is downward sloping because of the law of diminishing Marginal Utility." Explain with diagrams. (7)