

9537

4

5. (a) What is dominant firm price leadership model? Explain diagrammatically. (8)
- (b) Define Marginal Rate of Technical Substitution. Discuss input substitution with respect to change in relative factor prices in both perfect complements and perfect substitutes input cases. (7)
6. Write short notes on any **three** :
- (a) Economies of scope
- (b) Cross price elasticity of demand in (i) Perfect substitute goods (ii) Perfect complement goods
- (c) Perfect Price discrimination under monopoly
- (d) Long run supply curve of an increasing cost industry
- (e) Prisoner's Dilemma (5×3=15)

(800)

16/05/18

Morning

[This question paper contains 4 printed pages.]

Your Roll No.....

Sr. No. of Question Paper : 9537

Unique Paper Code : 61011203

Name of the Paper : Managerial Economics

Name of the Course : **Bachelor of Management Studies (BMS), 2018 (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. Attempt any **5** questions.
 3. **All** questions carry equal marks.
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1. State whether the following statements are true or false. Justify your answer.
 - (a) Demand for US steel versus Chinese steel exhibits straight line indifference curves.
 - (b) A greater choice to consumers in the market for branded clothes comes at a cost.

P.T.O.

(c) More inelastic the demand, lower is going to be the relative price while more elastic the demand, higher is going to be the relative price charged by a discriminating monopolist. (5×3=15)

2. (a) Given the following marginal utility schedule for good X and good Y for the individual, and given that the price of X and the price of Y are both \$1, and that the individual spends all income of \$7 on X and Y.

Q	1	2	3	4	5	6	7
MU_x	15	11	9	6	4	3	1
MU_y	12	9	6	5	3	2	1

(i) Indicate how much of X and Y should the individual purchase to maximize utility.

(ii) Show that the condition for constrained utility maximization is satisfied when the individual is at his or her optimum.

(iii) Determine how much total utility the individual receives when he or she maximizes utility? How much utility would the individual get if he or she spent all income on X or Y? (3+3+2)

(b) Assume social media charges a “privacy fee” to its users. Further assume that in the year 2020, Facebook

(FB) decides to increase its “privacy fee” from \$1 to \$2 per 10 hours of logging in (time spent) on its users. Using indifference curve analysis, show the likely trend on demand for FB versus other social media charging \$1 per month. Assume consumer’s budget to be \$5 per month. Explain the role of income and substitution effects. (5+2)

OR

Explain the income and substitution effect in the case of Giffen goods. Give an example of a situation when a good could become a Giffen good. (5+2)

3. (a) What are the characteristics of production isoquants? What is the difference between the short run expansion path and the long run expansion path of a firm? (7)

(b) What is the envelope curve of costs. Derive the LAC and LMC curves. (8)

4. (a) Define consumer surplus and producer surplus. For a perfectly competitive market what is the welfare effect of an excise tax. (4+3)

(b) Discuss the short-run profit maximization condition of a perfectly competitive firm. What is the condition of shut-down point for the firm? (8)