MBA 1\textsuperscript{st} Semester Examination
June 2014

Subject- Managerial economics
Subject Code: MSL 503

Time Allowed: 03 hours.                              Maximum Marks: 100

Before answering the question paper the candidate should ensure that they have been supplied the correct question paper. Complaints in this regard, if any, shall not be entertained after the examination.

\textbf{Note:} All questions carry equal marks. Ques. No. 1 is Compulsory and attempt two questions from each section.

1 (a) Define opportunity cost principle.
(b) Define discounting principle.
(c) Define cross elasticity of demand.
(d) Define national income. \hspace{1cm} (5*4)

\textbf{SECTION – A}

2. Explain profit maximization goal of the firm. What are its merits and demerits? \hspace{1cm} (20)

3. What is a demand curve? Why does the demand curve slope downwards to the right? Are there any exceptions to it? \hspace{1cm} (20)

4. a) Distinguish between extension of demand and increase in demand with help of a diagram.
   b) What is point elasticity and arc elasticity? \hspace{1cm} (10*2)

\textbf{SECTION – B}

5. Explain the law of variable proportions. Explain various stages of this law with the help of a table and diagram. \hspace{1cm} (20)

6. a) Under perfect competition the seller is the price taker not the price maker. Explain.

   b) Explain with the help of appropriate diagrams the equilibrium of the firm in the short run and long run under perfect competition. \hspace{1cm} (10*2)

7. Distinguish between skimming price and penetration price policy. Which of these policies are relevant in pricing a new product under different competitive conditions in the market? \hspace{1cm} (20)