CODE: 17CE00102

MBA I Year I Semester Regular Examinations, December 2017

MANAGERIAL ECONOMICS

Time: 3 hours Max Marks: 60

PART-A

Answer all **five** units (05 × 10 = 50 Marks)

UNIT-I

1. Explain the application of Managerial Economics in decision making?

OR

2. Explain the different theories of firms

UNIT-II

3. What is demand forecasting? Explain its various methods.

OR

4. Explain the Law of diminishing marginal utility with an example.

UNIT-III

5. What is production function? Explain the Cobb-Douglas Production function.

OR

6. Explain total, average and marginal cost with examples

UNIT-IV

7. Explain the different kinds of market structures.

OR

8. Distinguish between perfect competition, and monopolistic competition.

UNIT-V

9. Define national income. Distinguish between GDP & GNP.

OR

10. Discuss in detail the different phases of business cycles with examples.

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PART-B

Compulsory Question. (01 × 10 = 10 Marks)

11. Case Study:

A stock exchange provides a market place, whether real or virtual, to facilitate the exchange of securities between buyers and sellers. It provides a real time trading information on the listed securities, facilitating price discovery. Participants in the stock market range from small individual investors to large traders, who can be based anywhere in the world. There are large number of buyers and sellers who actively compete with each other, trying to predict future market value of individual securities. Important current information is almost freely available to all participants.

Price of individual security is determined by market forces and reflects the effect of events that have already occurred and are expected to occur. In the short run it is not easy for a market player to either exit or enter. Therefore a player has to depend wholly on market price for its profit maximizing output (in this case stock of securities). In the long run players may exit the market if they are not able to earn profit, but at the same time new investors are attracted by rise in market price.

In spite of the fact that individual investors exist in a very large number, their capital base is less than 7% of total market capital; rest of capital is owned by foreign institutional investor and domestic institutional investors (FIIs and DIIs), which are very small in number. Average capital owned by a single large player is huge in comparison to small investor. This situation seems to have prompted Dr Dash of BSE to comment ‘The stock market activity is increasingly becoming more centralized, concentrated and non competitive, serving interest of big players only.” By design, an Indian Stock Market resembles perfect competition, not as a complete description (for no markets may satisfy all requirements of the model) but as an approximation.

Questions

1) Is stock market a good example of perfect competition? Discuss.

2) Identify the characteristics of perfect competition in the stock market setting.

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