



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

**B.A. DEGREE EXAMINATION – ECONOMICS**

**FIFTH SEMESTER – JUNE 2015**

**EC 5402 - MANAGERIAL ECONOMICS**

Date : 03/07/2015

Dept. No.

Max. : 100 Marks

Time : 10:00-01:00

**Part-A**

Answer any **five** questions in about **75 words** each.

**(5 x 4 = 20Marks)**

1. Define: Managerial Economics
2. State briefly: Sales Maximization Model.
3. Distinguish between 'short term' and 'long-term' forecasting.
4. Explain the concept of marginal cost pricing.
5. What is 'dual pricing'?
6. Write a note on discounting principle.
7. Differentiate between 'shut down cost' and 'abandonment cost'

**Part-B**

Answer any **four** questions in about **300 words** each

**(4 x 10=40 Marks)**

8. Briefly examine the contribution of economic science in the field of Managerial Economics
9. "Among the multiplicity of objectives that modern firm has profit maximization continue to be the most important". Comment.
10. Explain the concept of 'peak load pricing' with suitable illustration.
11. What is safety margin? Explain the concept with the help of a diagram.
12. Discuss briefly the fundamental concepts involved in managerial decision making.
13. The annual sales of company 'ABC' are as follows:

<b>Year</b>	<b>2000</b>	<b>2002</b>	<b>2004</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>
<b>Sales (Rs in Lakh)</b>	<b>30</b>	<b>40</b>	<b>46</b>	<b>50</b>	<b>54</b>	<b>62</b>

Fit the linear regression equation to estimate the sales in 2012

14. a) Explain the concept of cost plus pricing. What are its limitations?

- b) A firm produces 2000 units of commodity X at the total fixed cost of Rs. 15000 and total variable cost of Rs. 25000. Find the price which the firm would charge from its customers if it wants to make a net profit of 10% on cost. The firm uses cost plus pricing.

### Part C

Answer any **two** question in about **900 words** each

**(2 X 20=40 Marks)**

15. Discuss in detail the nature and significance of managerial economics.
16. Elucidate the different methods of demand forecasting.
17. a) Expound the factors influencing investment decisions of business managers.
- b) A readymade garment firm is considering two alternative investment proposals. Project A has an initial cost of Rs. 1, 40, 000 and project B has an initial amount of Rs. 1, 20,000. Both projects would last for 6 years. The cash flows for these projects are given below. Having given 8% as rate of discount, find which project is more attractive for the firm.

Name of Project	Cash Flow in Rupees for 6 years					
	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year	5 <sup>th</sup> year	6 <sup>th</sup> year
Project A	40,000	40,000	44,000	48,000	44,000	20,000
Project B	36,000	36,000	36,000	36,000	36,000	36,000

18. a) Explain in detail the theory of 'Breakeven Point' with suitable illustration.
- b) A firm has plant capacity of 500 units of output of product X per day. Product X is sold at a price of Rs. 60 per unit and its average variable cost is Rs. 35. The firm incurs fixed cost of Rs. 2,000 per day. Find the break even quantity and break even sales for the firm.

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