

Trijambika Kantam

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATION- December-2018

B.Tech III Semester

COURSE CODE:10B11PD311

MAX. MARKS:35

COURSE NAME: Managerial Economics

COURSE CREDITS: 3

MAX. TIME: Two Hours

Note: All questions are compulsory. Carrying of mobile phone during examinations will be treated as case of unfair means.

Q1. Answer the following in about 20-30 words. (CO 2)

- Why do firms remain in a perfectly competitive industry in spite of earning zero economic profit?
- Give two characteristic features of oligopoly.
- What are inferior goods and how can they be identified using elasticity of demand?
- When is there a need for imposing a price ceiling?
- "Managerial Economics is based primarily on microeconomics". Comment
- Give two reasons for the shift in the supply curve to the left.

(2*6=12 marks)

Q2. Given a firm's $AVC = 8 - 0.04Q + 0.0003Q^2$ and fixed cost is equal to 400. Derive the marginal cost and calculate the AVC at its minimum point. (CO3)

(4 marks)

Q3. A firm faces two types of demand for its product depending on the reaction of its competitors. The two demand equations are $P = 30 - Q$ and $P = 36 - 1.6Q$. If its marginal cost is constant and Rs7, calculate the optimal output rate and price for the firm. If the MC reduces to Rs 3 how will the optimal output change? (CO 4)

(3+2=5 marks)

Q4.a) How should a firm operate in Monopolistically Competitive markets? Is it able to utilize its installed capacity? (CO 4)

b) The market demand is given by $P = 500 - Q$. The MC is same for all firms and is equal to 10. Show the total output determination in this market under Cournot's Duopoly. (CO5)

(3+2=5 marks)

Q5. The demand faced by a monopolist is given by $P = 100 - 2Q$. If the firm's marginal cost is Rs20, calculate the dead weight loss, monopolist's profit and consumer surplus. (CO 6)

(2+2+1=5 marks)

Q6. "Perfect competition leads to allocative and productive efficiency in the economy". Explain (CO 5)

(4 marks)