

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATION- December 2017

B. Tech III Semester

COURSE CODE: 10B11PD311

MAX. MARKS: 35

COURSE NAME: Managerial Economics

COURSE CREDITS: 03

MAX. TIME: 2Hrs

Note: All questions are compulsory. Carrying of mobile phone during examinations will be treated as case of unfair means. Make suitable assumptions, wherever necessary.

- Q1. The demand equation for an industry operating under oligopoly is given by, $Q = 300 - 1.25P$. The marginal cost and the average cost for Cournot's three-firms case is equal to 16. Determine the reaction functions and the price and quantity sold for all the three firms. How does this price and quantity compare to perfect competition and monopoly? (5)
- Q2. The demand for a firm operating in a monopolistically competitive industry is given by $P = 270 - 2Q$. The total cost equation for this firm is $TC = 60Q - 0.2Q^2 + 0.0006Q^3$. How much excess capacity is the firm operating with? (5)
- Q3. The demand for a monopolist is given by $Q = 50 - 0.2P$. The $AC=MC=10$. Calculate the dead weight loss and consumer surplus created in this market. If the monopolist were to price the product as a firm under perfect competition how much consumer surplus would he generate? (2+2+2)
- Q4. In a perfectly competitive market a firm's total cost curve is given by $TC = 500 + 15Q - 0.05Q^2 + 0.00015Q^3$. At what price should the firm shut down its operations? (5)
- Q5. Explain how the Kinked demand model helps a manager in maximizing profit in an oligopoly market. (5)
- Q6. Write short notes on (2x3=6)
- a) Exponential smoothing b) Price ceiling and Price Floor c) Difference between Accounting profit and Economic profit
- Q7. Explain with the help of a graph the determination of Long run Average Cost curve. (3)