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Dr. Amit Smarsh

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT
TEST – 1 EXAMINATION, SEPTEMBER 2016
B.TECH III SEMESTER

COURSE CODE: 10B11PD311
COURSE NAME: Managerial Economics
COURSE CREDIT: 3

MAX. MARKS: 15
MAX. TIME: 1 HR

Note: All questions are compulsory. Carrying of mobile phone during examination will be treated as case of unfair means. All questions are of equal marks. Assume suitable data, if necessary.

1. Briefly discuss the pitfalls of faulty economic analysis.
2. Define Price Elasticity of Demand and discuss its determinants.
3. Following is the production possibilities of India and Sri Lanka for producing Cricket Balls and Tennis Balls respectively:

Country	Cricket Balls per worker per hour	Tennis Balls per worker per hour
India	4	4
Sri Lanka	3	2

- a) What is the opportunity cost of producing both the balls by both the countries?
 - b) Which country is having absolute advantage in producing cricket ball and which one is in tennis ball?
 - c) What will be the total output if there is no trade and if trade takes place depending on the specialization?
4. The demand for product X is represented by the following equation:

$$P_Y = 25 - 0.5 P_X + 0.125 Q_X$$
 where, P_X and P_Y represents the per unit price of X and Y respectively, and Q_X represents the demand of X.
 The initial price of the product X and Y is Rs 15 and Rs 6 per unit respectively. Calculate:
 - a) The demand of X if the prices of both the products are increased by 20%.
 - b) The cross elasticity between X and Y at both initial and new prices. Comment on the relationship between the two products also.
 5. The demand equation for a product is $Q = 1000 - 50 P$.
 - a) At what rate of output, will TR be maximum?
 - b) The current price is Rs 12. In order to increase total revenue, should the price be increased or decreased? Explain.