GBP-005

M.B.A. (RD) (II Semester) Examination, 2021

MBR-520: Managerial Economics

Time: Two Hours] **[Maximum Marks: 60**

Note: Attempt any FOUR questions.

1. What is consumer surplus and producer surplus? Explain with the help of an example.What happens to the size of consumer surplus when there are no government price controls?

   The government intervenes in the agricultural economy with a minimum support price. What happens to the consumer surplus and the producer surplus? Explain with graphs. Identify the parties who benefit and those who are or will be hurt by this intervention. What unintended consequences will likely or have occurred as a result of this intervention. What is your opinion on this matter? Why?

2. Suppose that the price of bananas go up by 10 per cent and the quantity demanded of apples go up by 5 per cent. What is cross elasticity of demand for apples? How will you define cross elasticity of demand? Can you give more examples of cross elasticity of demand from the real world?

   What is interest elasticity of savings? What is the current macroeconomic situation in India regarding the interest elasticity of savings in the last three years?

3. In perfect competition, how does entry and exit of firms lead to zero profits in the long run? Explain with graphs.

4. a. What is demand for labour in perfectly competitive output markets? How do you graph it?

   b. What are externalities and market failure? Explain from examples around you.

5. Use the following information to answer questions A through D:

The table below shows data for the production of Apples for an individual firm operating as a monopoly.

Quantity of Apples	Price	Total Costs
0	600	3000
10	550	3750
20	500	4750
30	450	6000
40	400	8500
50	350	12500
60	300	20000
70	250	32000
80	200	43500

A. Given this data, complete the table:

Quantity of Apples	Total Revenue (TR)	Profit	Marginal Revenue (MR)	Marginal Costs (MC)
0			-	-
10				
20				
30				
40				
50				

B. At what quantity are marginal revenues equal to marginal costs?

C. What is the profit maximizing quantity? NOTE: If there are two quantities with the same level of profits, pick the larger of the two quantities!

D. What is the profit maximizing price? NOTE: If there are two quantities with the same level of profits, pick the larger of the two quantities!