

**COMMONWEALTH EXECUTIVE**  
**MBA/MPA PROGRAMME**  
**Term-End Examination**  
**December, 2007**

**E-5 : MANAGERIAL ECONOMICS**

*Time : 3 hours*

*Maximum Marks : 100*

*(Weightage 70%)*

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**Note :** Answer any **five** questions. All questions carry equal marks.

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1. Do you agree with the view that a monopolist's pricing behaviour always leads to welfare loss ? Give reasons to support your answer. In case of welfare loss, what measures would you recommend to restore the social optimum ?
2. (i) What do you mean by demand forecasting ? Discuss the objectives you would suggest for demand forecasting for your firm.  
(ii) Estimate the expected demand for a firm for the year 2007 when you have the following data :

Year	Total demand in thousand units
2002	28
2003	38
2004	46
2005	40
2006	56

3. (i) Which decision-making criteria would you like to consider when there are uncertainties in the business environment ? Give reasons in support of your answer.
- (ii) The pay-off for each act and event of your decision is given below. Determine the best act by expected monetary value criterion.

Acts \ Events	A	B	C
X	- 2	20	40
Y	- 5	- 10	60
Z	20	- 5	30
Prob. of events	0.3	0.4	0.3

4. (i) Prepare a guideline for cost reduction programme of a firm.
- (ii) Total Cost (TC) of a firm is related to output (Q) through the following function. Determine the cost minimising output and comment on the role of fixed cost of the function at that level of output.

$$TC = 120 + 5 Q^2 - 20 Q.$$

5. (i) What measures can a government take to control business cycle in an economy ? Which measure would you accept from the viewpoint of managing your firm ?
- (ii) You often observe a small number of firms continue to operate in a market. Discuss the reasons for their persistence.
6. Write short notes on the following :
- (i) Opportunity cost
- (ii) Recession
- (iii) Full cost pricing method
- (iv) Accounting approach to profit management
7. (i) What do you mean by production decision models ? Discuss the features of one of these, giving reasons for your choice.
- (ii) The expected annual demand of the latest model of a car is 3000 units. Annual holding cost per unit is Rs. 3. If it costs you Rs. 5 per order, find the optimum order quantity and the annual total cost of inventory.