

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306

**POST GRADUATE DIPLOMA IN MANAGEMENT (2024-25)  
END TERM EXAMINATION (TERM -I)**

Subject Name: **Managerial Economics**

Time: **02.00 hrs**

Sub. Code: **PG12**

Max Marks: **40**

**Note: All questions are compulsory. Section A carries 5 marks: 5 questions of 1 marks each, Section B carries 21 marks having 3 questions (with internal choice question in each) of 7 marks each and Section C carries 14 marks one Case Study having 2 questions of 7 marks each.**

<u><b>SECTION – A</b></u>		
Attempt all questions. All questions are compulsory.		<b>1×5 = 5 Marks</b>
<b>Questions</b>	<b>CO</b>	<b>Bloom's Level</b>
<p><b>Q. 1: (A).</b> Explain why it would cost Rafael Nadal or Serena Williams more to leave the professional tennis tour and open a tennis shop than it would for the coach of a university tennis team to do so?</p> <p><b>Q. 1: (B).</b> Using a discount rate of 6.5%, calculate the present value of a \$1,000 payment to be received at the end of 3 years.</p> <p><b>Q. 1: (C).</b> Explain the concept of risk and uncertainty for a business firm with a suitable example.</p> <p><b>Q. 1: (D).</b> Give two examples, each of microeconomic and macroeconomic variables.</p> <p><b>Q. 1: (E).</b> Differentiate between explicit cost and implicit cost with a suitable example</p>	CO1	L3
<u><b>SECTION – B</b></u>		
All questions are compulsory (Each question have an internal choice. Attempt any one (either A or B) from the internal choice)		<b>7 x 3 = 21 Marks</b>
<b>Questions</b>	<b>CO</b>	<b>Bloom's Level</b>
<p><b>Q2 (A)</b> Evaluate the following statements using graphical analysis. Provide a brief explanation of your graph to support your evaluation. Make sure the axes and curves in your graphs are properly labeled.</p> <p>a) “When demand for home heating oil increases, a shortage of heating oil will occur.”</p> <p>b) “A decrease in the supply of random access memory (RAM) chips for personal computers causes a shortage of RAM chips.”</p> <p align="center"><b>Or</b></p> <p><b>Q2 (B)</b> The demand for personal computers can be characterized by the following elasticities: price elasticity=-5, cross price elasticity with software=-4, and income elasticity=2.5. Indicate whether each of the following statements is true or false, and explain your answer.</p> <p>a) A price reduction for personal computers will increase both the number of units demanded and the total revenue of sellers.</p> <p>b) The cross-price elasticity indicates that a 5% reduction in the price of personal computers will cause a 20% increase in software demand</p> <p>c) Falling software prices will increase revenues received by sellers of both computers and softwares.</p>	CO2	L4

<p><b>Q. 3 (A)</b> Discuss the features of perfect competition. In a perfectly competitive industry, the market-determined price is \$12. For a firm currently producing 50 units of output, short-run marginal cost is \$15, average total cost is \$14, and average variable cost is \$7. Is this firm making the profit-maximizing decision? Why or why not? If not, what should the firm do?</p> <p style="text-align: center;"><b>Or</b></p> <p><b>Q. 3 (B)</b> Illustrate graphically a firm under monopoly earning supernormal profits. Discuss the conditions under which a monopolist can practice price-discrimination.</p> <p><b>Q. 4 (A)</b> Differentiate between the following using suitable examples:  a) National Income at Current Prices and National Income at Constant Prices  b) Intermediate good and Final good  c) Direct and Indirect Tax</p> <p style="text-align: center;"><b>Or</b></p> <p><b>Q. 4 (B)</b> For an economy undergoing inflation, which type of a monetary policy would you suggest? Illustrate with examples.</p>	CO4	L4
<b><u>SECTION – C</u></b>		
Read the case and answer the questions <span style="float: right;"><b>7×02 = 14 Marks</b></span>		
<b>Questions</b>	<b>CO</b>	<b>Bloom's Level</b>
<p><b>Q. 5: Case Study</b></p> <p>Modern Merchandise, Inc., makes and markets do-it yourself hardware, housewares, and industrial products. The company's new Aperture Miniblind is winning customers by virtue of its high quality and quick order turnaround time. The product also benefits because its price point bridges the gap between ready-made vinyl blinds and their high- priced custom counterpart. In addition, the company's expanding product line is sure to benefit from cross-selling across different lines. Given the success of the Aperture Miniblind product, Modern Merchandise plans to open a new production facility near Beaufort, South Carolina. Based on information provided by its chief financial officer, the company estimates fixed costs for this product of \$50,000 per year and average variable costs of</p> $AVC = \$0.5 + \$0.0025Q$ <p>where AVC is average variable cost (in dollars) and Q is output.</p> <p><b>Questions:</b></p> <p><b>Q5 (A)</b> Estimate total cost and average total cost for the projected first-year volume of 20,000 units. Also show the relationship between short run cost curves with a graph.</p> <p><b>Q5 (B)</b> An increase in worker productivity resulted in a substantial cost saving for the company. Estimate the change in average total cost if actual second-year total cost was \$848,000 at an actual volume of 20,000 units.</p>	CO3	L4

Kindly fill the total marks allocated to each CO's in the table below:

<b>Q.No.</b>	<b>COs</b>	<b>Bloom's Taxonomy Level</b>	<b>Marks Allocated</b>
1	CO1	L3	5 Marks
2	CO2	L4	7 Marks
3	CO4	L4	7 Marks
4	CO5	L5	7 Marks
5	CO3	L4	14 Marks

(Please ensure the conformity of the CO wise marks allocation as per your TLEP.)

Blooms Taxonomy Levels given below for your ready reference:

**L1= Remembering**

**L2= Understanding**

**L3= Apply**

**L4= Analyze**

**L5= Evaluate**

**L6= Create**