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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, December 2018

Program: MBA General/AVM/ PSM

Subject (Course): Economics and Management Decisions

Course Code : ECON 7008

Semester : I

Max. Marks : 100

Duration : 3 Hrs

Section A

Note- Answer *all* the questions below. Each question has 2 marks.

1	The structure of the tooth paste industry in India is best described as: A. Perfectly competitive B. Monopolistic C. Monopolistically competitive D. Oligopolistic	CO2
2	When _____ we know that the firm are earning just normal profits: A. $AC = AR$ B. $MC = MR$ C. $MC = AC$ D. $AR = MR$	CO3
3	In perfect competitive market a firm in the long- run operates at A. $AC = MC$ B. $MR = MC$ C. $AR = MR$ D. $P = AR = MR = AC = MC$	CO4
4	Cross elasticity of demand is: A. Negative for complementary goods B. Negative for substitute goods. C. Unitary for inferior goods. D. Positive for inferior goods	CO2
5	A perfectly competitive firm has control over A. price B. production as well as price C. production, price and consumers D. none of the above	CO3

Section B

Note- Answer *all* the questions below. Each question has 5 marks.

1	What is Cobb- Douglas Production function? Find out elasticity of production factor of Labour (L) and Capital (K)	CO4
2	What is profit? Derived the condition of Maximum & Minimum profit. If the average revenue (AR) of a firm is $P= 45- 0.5X$ & Total cost (TC) = $X^3-8X^2+57X+2$. Find the output at which firm is getting maximum profit and also find out the marginal revenue (MR) & marginal cost (MC)	CO2
3	Explain the circular flow income under two sectors, three sectors & four sectors economy model.	CO1
4	A biscuit production company has the following variable cost function $TVC =200x-9x^2 +.25x^3$. If the company's fixed cost are equal to Rs. 150 Lakh find out a. Total cost function b. Marginal Cost function c. Average variable cost function d. Average total cost	CO3

Section C

Note- Answer *all* the questions below. Each question has 10 marks.

1	What is mean by production function? Distinguish between short run production function & Long run production function. Explain law of return to variable factor & law of returns to scale. Illustrate your answer graphically.	CO2
2	Explain the price & output determination under the monopoly in the short run & long run. Illustrate your answer graphically. How is the short run equilibrium of a firm different from its long run equilibrium?	CO1
3	Define the elasticity of demand. Distinguish between price elasticity, income elasticity & Cross elasticity of demand. Discuss the methods of measurement of elasticity of demand.	CO3
4	Explain Price discrimination .Suppose a monopoly firm faces two markets (Market A & Market B) with different demand curves for its product. Explain & illustrate how a discriminatory monopoly firm would determine its profit maximizing output, divide its total output between the two markets & determine price for the two markets	CO4

Section D

Note- Answer *all* the questions below. Each question has 15 marks.

1	<p>Calculate to estimate regression line for sales-advertising problem.</p> <table border="1" data-bbox="188 415 1446 621"> <tr> <td>Year (t)</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> <td>8</td> <td>9</td> <td>10</td> </tr> <tr> <td>Advertising Expenditure (x_t) (millions)</td> <td>10</td> <td>9</td> <td>11</td> <td>12</td> <td>11</td> <td>12</td> <td>13</td> <td>13</td> <td>14</td> <td>15</td> </tr> <tr> <td>Sales Revenue (Y_t) (millions)</td> <td>44</td> <td>40</td> <td>42</td> <td>46</td> <td>48</td> <td>52</td> <td>54</td> <td>58</td> <td>56</td> <td>60</td> </tr> </table>	Year (t)	1	2	3	4	5	6	7	8	9	10	Advertising Expenditure (x_t) (millions)	10	9	11	12	11	12	13	13	14	15	Sales Revenue (Y_t) (millions)	44	40	42	46	48	52	54	58	56	60	CO3 CO2
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2	<p>A firm has estimated the following demand function for its product: $Q = 100 - 5P + 5I + 15A$ where Q is quantity demanded per month in thousands, P is product price, I is an index of consumer income, and A is advertising expenditures per month in thousands. Assume that $P = \\$200$, $I = 150$, and $A = 30$. Use the point formulas to complete the elasticity calculations indicated below.</p> <ol style="list-style-type: none"> A. Calculate quantity demanded. B. Calculate the price elasticity for demand. Is demand elastic, inelastic, or unit elastic? C. Calculate the income elasticity of demand. Is the good normal or inferior? Is it a necessity or a luxury? D. Calculate the advertising elasticity of demand 	CO4 CO3																																	