

MANAGERIAL ECONOMICS **(Old & New Course) : Dec. 2008-09**

Old Course

Maximum Marks : 70

Minimum Pass Marks : 25

New Course

Maximum Marks : 90

Minimum Pass Marks : 32

Note : Attempt any five questions. All questions carry equal marks.

UNIT - 1

1. "Managerial Economics is economics applied in decision-making." Discuss.

OR

Explain any two of the following :

- (a) Scope of Managerial Economics
- (b) Managerial Economics and Operations Research
- (c) Main characteristics of Managerial Economics

UNIT - 2

2. Define Business cycle and explain its different phases with the help of diagram. <http://prsuonline.com>
"Business cycle is purely monetatry phenomenon."

– Hawtrey

Explain its stabilizing techniques.

OR

How is National Income measured through social accounting ? Explain with examples.

UNIT - 3

3. (a) Explain the concept of break- even in profit planning
(b) A coastal ship can carry a maximum of 100000 passengers per month at a fare of Rs. 850. Variable cost per passenger is Rs. 100 while the fixed costs are Rs. 75,00,000 per month. Find the break-even quantity and sales volume for the ship.

OR

Explain the following :

- (a) Economic and Non-economic objectives of Business Firms.
- (b) Accounting and Economic profit

UNIT - 4

4. Explain the method of calculating the following :

- (a) Net Present Value (NPV) criterion
(b) Internal Rate of Return (IRR) criterion

OR

- (a) Distinguish between risk and uncertainty.
(b) Consider two production plans which generate output flow over time with associated probabilities as follows :

Production Plan I		Production Plan II	
Output Flow (Rs.)	Probability	Output Flow (Rs.)	Probability
20,000	0.4	10,000	0.5
40,000	0.4	30,000	0.3
30,000	0.3	80,000	0.2

Which production plan is preferable ?

Unit-V

5. What is preference capital ? How do you calculate the cost of preference capital ?

OR

Calculate average cost of capital before tax and after tax from the following information. Assume tax = 55%

Type of Capital	Proportion in the new Capital Structure (%)	Before Tax Cost of Capital (%)
Equity Capital	25	24.44
Preference Capital	10	22.29
Debt Capital	50	7.99
Retained Earnings	15	18.33

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