Paper: Managerial Economics
University of Sargodha
2017 1st Annual   MCOM/TERM

Composed by Iftikhar Ali Lecturer Statistics, Finance & Accounting

www.bcfeducation.com

Note: Question # 1 is compulsory. Attempt any four questions from the remaining. All questions carry equal marks.

Q No1: Explain the following terms (10 x 2= 20)

1. Managerial Economics
2. Monotonicity of preferences
3. Complementary Goods
4. Constrained Optimization
5. Bandwagon Effect
6. Nash Equilibrium
7. Asymmetric Information
8. Latent Demand
9. Economic Profit
10. Marginal Firm

Q.No.2 (a) Derive Short run supply curve of a firm under perfect competition.
(b) What is Exceptional Demand Curve? Enlist the exceptions which result in Exceptional Demand Curve.

Q.No.3 Find the optimum values with the help of the dual method in linear programming
Minimize $C = 36_{x1} + 30_{x2} + 40_{x3}$
Subject to:
$2_{x1} + 5_{x2} + 8_{x3} \geq 40$
$6_{x1} + 3_{x2} + 2_{x3} \geq 50$
$x1, x2, x3 \geq 0$
Moreover $\bar{Z}1 = 3, \bar{Z}2 = 5$ and $\bar{\pi} = 370$

Q.No.4 Given the demand function of good A
$QA = 4850 - 5PA + 1.5 PB + 0.1Y$
Where PA = 200, PB = 100 and Y = 10,000

(i) Find income elasticity of demand and interpret.
(ii) Find cross elasticity of demand and interpret.
(iii) Point out the nature of goods (Normal, Inferior, Complementary and substitute) on the basis of the result of the given model.

Q.No.5 Discuss consumer's equilibrium under ordinal approach keeping in view the necessary and sufficient conditions.

Q.No.6 What are the major features of monopolistic competition? Also discuss a firm's equilibrium under monopolistic competition in long run.

Q.No.7 Explain Baumol's Theory of Sales Maximization in detail.

www.bcfeducation.com