

UNIT-WISE QUESTION BANK
MASTER OF BUSINESS ADMINISTRATION (MBA)
(FIRST SEMESTER)
MANAGERIAL ECONOMICS
(FT – 114)

Time: 3 Hours

[Maximum Marks: 70]

[Passing Marks: 28]

Note:

1. Part-A: 10 Objective/Multiple Choice questions each 1 marks=10 marks
2. Part-B: 10 **Very short** answer type questions each 1.5 marks=15 marks
3. Part-C: 10 **Short** answer type questions each 2.5 marks =25 marks
4. Part-D: 4 **Long** answer type questions each 5 marks=20 marks
5. Attempt all parts as directed

PART-A

(Objective / Multiple Choice Questions each 1 marks)

UNIT-1

1. Managerial economics helps in decision making through application of
 - (a) Economic theory only
 - (b) Economic theory and methods of science
 - (c) **Economic theory and methods of decision science**
 - (d) None of the above
2. Managerial economics uses
 - (a) Micro Economics only
 - (b) Macro Economics only
 - (c) **Both Micro & Macro Economics**
 - (d) None of the above

3. Business Profit is
- (a) **An accounting concept** (b) An accrual concept
(c) Both (a) and (b) (d) None of the above
4. Business Profit =
- (a) Total Sales Revenue – Implicit Costs
(b) **Total Sales Revenue – Explicit Costs**
(c) Total Sales Revenue – Total Costs
(d) None of the above
5. Implicit Cost refers to
- (a) Marginal cost (b) Total Average Cost
(c) **Opportunity cost of resources** (d) None of the above
6. Economic Profit =
- (a) **Sales Revenue – (Implicit Costs + Explicit Costs)**
(b) Sales Revenue – Explicit Costs
(c) Sales Revenue – Implicit Costs
(d) None of the above
7. Analysis of an industry falls under:
- (a) Macro Economics (b) Micro Economics
(c) Financial Economics (d) Environmental Economics
8. The basic economic problem is the problem of
- (a) Abundance of resources (b) **Scarcity of resources**
(c) Human Resources (d) None of the above

UNIT-2

9. Change in the demand of smartphones due to increase in its price is
- (a) Increase of its demand (b) Decrease of its demand
(c) **Contraction of its demand** (d) None of the above

16. 'Law of variable proportions' is also known as
- (a) **Law of Diminishing Returns**
 - (b) Law of Increasing Returns
 - (c) Law of Constant Returns
 - (d) None of the above
17. 'Production function is
- (a) Purely an economic relationship between inputs and outputs
 - (b) **Purely a technical relationship between inputs and outputs**
 - (c) Both (a) and (b)
 - (d) None of the above
18. 'Return to scale' means
- (a) Change in output when only some factors of production are increased
 - (b) Change in output when only variable factors of production are increased
 - (c) Change in output when only fixed factors of production are increased
 - (d) **Change in output when all factors of production are increased simultaneously**

UNIT-3

19. In economics 'Market' means:
- (a) A physical place to buy and sell goods / services
 - (b) **A Mechanism to exchange goods / services for a consideration**
 - (c) Local area market only
 - (d) None of the above
20. In 'Perfect competition' products are:
- (a) Heterogeneous
 - (b) **Homogeneous**
 - (c) Differentiated
 - (d) None of the above
21. In 'Perfect competition' firms are:
- (a) Price maker
 - (b) Price influencer
 - (c) **Price taker**
 - (d) None of the above
22. In 'Perfect competition' factors of production are:
- (a) **Perfectly mobile**
 - (b) Perfectly immobile
 - (c) Both (a) and (b)
 - (d) None of the above

23. In 'Perfect competition' selling cost is:
(a) Very high (b) Very less
(c) **Nothing** (d) None of the above
24. In 'Perfect competition' firms are :
(a) Not Free to enter or exit (b) **Free to enter or exit**
(c) Sometimes free and sometimes not free to enter or exit
(d) None of the above
25. In 'Perfect competition' firms and consumers are :
(a) Small (b) Few (c) Large (d) None of the above
26. In 'Imperfect competition' products are :
(a) Heterogeneous (b) Homogeneous (c) **Differentiated** (d) None of the above
27. In 'Imperfect competition' firms are:
(a) **Price maker** (b) Price influencer (c) Price taker (d) None of the above
28. In 'Imperfect competition' factors of production are:
(a) Perfectly mobile (b) **Perfectly immobile**
(c) Both (a) and (b) (d) None of the above
29. In 'Imperfect competition' selling cost is:
(a) Very low (b) **Substantial** (c) Nothing (d) None of the above
30. In economics competition refers to the market structure which means :
(a) **The extent to which individual firm have the power to influence market price**
(b) Competition among firms (c) Number of firms (d) None of the above
31. In monopoly a single firm is selling :
(a) A single product for which there are close substitutes
(b) Two product for which there are no close substitutes
(c) **A single product for which there are no close substitutes**
(d) None of the above

32. A monopolist is:
- (a) **Price maker and not price taker** (b) Price influencer
(c) Price taker and not price maker (d) None of the above
33. A monopolist can:
- (a) Fix price and output (b) **Either fixes price or output**
(c) Fix output (d) None of the above
34. In 'Monopoly' firms entry of other firms are :
- (a) Free (b) **Restricted** (c) Sometimes free & sometimes restricted (d) None of the above
35. Price discrimination refers to :
- (a) Selling the same commodity at same prices to buyers
(b) **Selling the same commodity at different prices to buyers**
(c) Selling the different commodity at same prices to buyers
(d) None of the above
36. A seller under perfect competition :
- (a) Can practice price discrimination
(b) **Can not practice price discrimination**
(c) Sometimes can practice price discrimination
(d) None of the above

UNIT-4

37. Balance of payments of a country includes :
- (a) Current account (b) Capital account (c) Monetary account (d) **All of above**
38. Balance of payments of a country includes:
- (a) Balance of trade (b) Capital receipts & payments
(c) Saving & investment account (d) **Both (a) and (b)**
39. A country that does not trade with other countries is called an economy:
- (a) Open (b) **Closed** (c) Independent (d) None of these
40. To avoid double counting when GDP is estimated, economists:
- (a) Use GDP deflator (b) **Calculate value added at each stage of production**
(c) Use retail prices (d) Use price of only intermediate goods

41. A TV set purchased from a retail store is an example of:
(a) Intermediate good (b) Capital good (c) Surplus good (d) **Final good**
42. Total value of all final goods and services produced in a country during one year is:
(a) Net National Product (NNP) (b) Gross National Product (GNP)
(c) **Gross Domestic Product (GDP)** (d) National Income (NI)
43. If savings exceed investment then:
(a) National income rises (b) **National income falls**
(c) National income is not affected (d) None of the above
44. The goods which are used directly by the people are called:
(a) **Consumer goods** (b) Capital good (c) Direct good (d) None of these
45. National income is estimated by:
(a) Product, import and export methods
(b) Product, income and consumption methods
(c) Product, income and market methods
(d) **Product, income and expenditure methods**
46. National income of a country does not include :
(a) Self services, low wages
(b) Donations and high salaries
(c) Corporate taxes and gifts
(d) **Illegal incomes and unreported incomes**

UNIT-5

47. Profit is :

- (a) Salary to the entrepreneur for his / her services
- (b) **Remuneration to the entrepreneur for his / her services**
- (c) Both (a) and (b)
- (d) None of the above

48. Profit is :

- (a) Total revenue – Implicit cost (b) Total revenue – Explicit
- (c) **Total revenue – Explicit and Implicit cost** (d) None of the above

49. Maximum Profit arises in a :

- (a) **Dynamic economy** (b) Static economy (c) Neither (a) nor (b)
- (d) None of the above

50.profit is the difference between total revenue and total explicit and implicit cost.

- (a) Marginal Profit (b) **Gross Profit** (c) Net Profit (d) None of the above

51. The low point in the business cycle is referred to as the

- (a) Expansion (b) Boom (c) **Trough** (d) Peak

PART-B

Very short answer type questions each 1.5 marks

UNIT-1

52. Define Managerial economics.
53. What is normative economics?
54. Discuss two cases of business decision making where managerial economics is used?
55. What is opportunity cost?
56. Write two important roles performed by a managerial economist.
57. What are two important responsibilities of a managerial economist?
58. Discuss the importance of studying managerial economics for a manager.
59. Write two characteristics of managerial economics.
60. Write scope of managerial economics.
61. Write two differences between economics and managerial economics.

UNIT-2

62. Define the term 'Demand' as used in economics.
63. What is 'Law of demand'?
64. What is Market demand?
65. What is demand schedule?
66. What do you mean by extension of demand?
67. What do you mean by contraction of demand?
68. What do you mean by increase in demand?
69. What do you mean by decrease in demand?
70. What are Normal Goods?
71. What are Inferior Goods?
72. What are complementary Goods?
73. Discuss features of demand.
74. Write two cases where of demand curve slopes upward.
75. Write two factors that influence demand for good / service.
76. Define the term 'elasticity of demand'.
77. What is perfectly inelastic demand?
78. What is perfectly elastic demand?
79. What is consumer surplus?

80. What is producer surplus?
81. Define production function.
82. What is Law of variable proportions?
83. List the various stages of law of variable proportions.
84. Define law of diminishing returns.
85. Define Isoquant curves.
86. Write two properties of Isoquant curves.
87. What is cross elasticity of demand?

UNIT-3

88. Define the term 'market' as used in economics.
89. What is perfect competition?
90. Define monopoly market structure?
91. Discuss two important features of perfect competition.
92. Discuss two important features of imperfect competition.
93. What is monopolistic competition?
94. Define Oligopoly.
95. Discuss two features of monopoly.
96. What do you mean by the term Price discrimination?
97. Discuss two differences between monopoly and perfect competition.
98. Discuss two methods used as non-price competition.
99. Define duopoly market.
100. Write two features of monopolistic competition.
101. What is Price leadership under oligopoly market?

UNIT-4

102. Define 'Balance of Payment'.
103. What are methods of measuring national income?
104. What do you mean by capital formation?
105. Define Gross domestic saving?
106. What is balance of trade?
107. Define Gross capital formation?
108. Write two methods of measuring national income of a country?
109. Define Gross domestic product.
110. Define Net National Product.
111. Define Gross National product.
112. What do you mean by capital formation?

UNIT-5

113. Define Profit.
114. What do you mean by trade cycle?
115. What do you mean by slump in trade cycle?
116. List two theories of Profit.
117. What is innovation theory of profit?
118. What is Risk-Bearing theory of profit?
119. What is marginal productivity theory of profit?
120. What is dynamic theory of profit?
121. What is uncertainty bearing theory of profit?
122. What is rent theory of profit?
123. Define Net profit.
124. Define Gross profit.
125. What is normal profit?
126. What is abnormal profit?
127. Why abnormal profit arises in business?
128. What is trough in business cycle.?
129. What do you mean by the term 'recession'?
130. What do you mean by the term 'expansion'?
131. What do you mean by the term 'contraction'?

Part-C

Short answer type questions each 2.5 marks

UNIT-1

133. Discuss the nature of managerial economics.
134. Discuss about scope of managerial economics.
135. Define managerial economics with the help of an example. Discuss how it is different from traditional economics?
136. Who is a managerial economist?
137. What are the roles of managerial economist in an organization?
138. Explain opportunity cost with an example.

UNIT-2

139. Define demand and mention the nature of demand.
140. Define law of demand and write two factors that determine demand of a particular product / service.
141. Discuss the factors that determine demand of ice-cream in Indian market.
142. Discuss demand function.
143. How demand of consumer durable goods can be forecasted?
144. Why demand curve slope downwards?
145. Define elasticity of demand.
146. Discuss type of elasticity of demand.
147. What are differences between demand and elasticity of demand?
148. Define consumer and producer surplus with the help of graph.
149. Discuss various kinds of elasticity of demand.
150. Discuss about Arc elasticity of elasticity of demand.
151. Discuss about Income elasticity of demand with the help of examples.
152. What are advantages / applications of elasticity of demand?
153. Discuss about proportionate method of elasticity of demand.
154. Define Unitary elastic and greater than unitary elastic demand with the help of examples.
155. Define Cross elasticity of demand with the help of an example.
156. Ravi buys 10 smart phones at a price of Rs. 6500 per unit. The price elasticity of demand is 2. At what price will he be willing to buy 150 units of smart phones?

157. Discuss total outlay expenditure method of measuring elasticity of demand.
158. Discuss how proportionate method helps in measuring elasticity of demand.
159. Discuss factors determining the price elasticity of demand.
160. Discuss the importance of price elasticity of demand.
161. A consumer purchased 10 packets of Bastar Dairy milk when its price was Rs 5 per packet. He purchased 12 packets of same milk when its price fell to Rs 4 per packet. What is price elasticity of demand for Bastar Dairy milk at that price?
162. Discuss the law of variable proportions.
163. Write a short note on production function.
164. Discuss the law of returns to scale.
165. Discuss about stages of production under law of variable proportions.

UNIT-3

166. Define market and discuss about its type.
167. What is perfect competition?
168. Discuss features of perfectly competitive market.
169. Define monopoly market and discuss its features.
170. Define monopolistic market and discuss its features.
171. What are key differences between perfect competition and monopolistic competition?
172. Define duopoly market and discuss its features.
173. What is price discrimination? Discuss who can exercise price discrimination and in which market structure it can be exercised?
174. Write down the means that can be adopted by the firms for non-price competition.
175. Write short notes on any two of the followings :
 - (a) Perfect competition
 - (b) Price discrimination
 - (c) Market

UNIT-4

176. What is 'Balance of payment'? Name the two parts of the balance of payments accounts.
177. Distinguish between balance of trade and of balance of payments.
178. What do you mean by national income? Discuss the methods of measuring national income.
179. Discuss what are Gross Domestic Product and Net National Product?
180. Discuss what capital formation is and why it is important for an economy?
181. What is gross domestic saving?.
182. Discuss why gross domestic saving is important in developing economies like India ?
183. What is capital account under balance of payment? State the components of capital account of balance of payments.

- Ans. Borrowings and lending's to and from abroad.
 - Investments to and from abroad.
 - (3) Changes in foreign exchange reserves, (or any other way to describe components)

184. What is current account under balance of payment? State the components of current account of balance of payments.

- Ans.** (1) Exports and imports of goods.
(2) Exports and imports of services.
(3) Income receipts and payments to and from abroad.
(4) Transfers to and from abroad.

185. List the items of the current account of balance of payment account. Also define balance of 'trade'.

Ans. Items of current account:

- (i) Export and imports of goods.
- (ii) Export and import of services.
- (iii) Income from and to abroad.
- (iv) Transfers from and to abroad.

Balance of Trade is the difference between 'exports of goods' and imports of goods

UNIT-5

186. Define Profit. Discuss two theories of Profit.
187. What are the differences between innovation theory of profit and Risk-Bearing theory of profit?
188. What are the differences between marginal productivity theory of profit and dynamic theory of profit?
189. What are the differences between uncertainty bearing theory of profit and rent theory of profit?
190. Define Profit, Gross profit and Net profit.
191. What are differences between normal profit and abnormal profit?
192. Define abnormal profit and why abnormal profit arises in business?
193. Discuss the phases of business / trade cycle.
194. Discuss the impact of trade cycle on society.
195. Discuss the functions that can be performed by managerial economist under different phases of business / trade cycle.
196. In the light of Profit theories, discuss the various objectives of a business concern.
197. Discuss the features of Recession, trough, expansion and recovery phase of business cycle?
198. What is trade cycle? Write the impact of trade cycle on the business strategy.
199. What are the problems involved in setting a profit policy?
200. Explain the external factors responsible for business cycles.

Part-D

Long answer type questions each 5 marks

UNIT-1

201. Define managerial economics and discuss its nature and scope.
202. Discuss the roles and responsibilities of a managerial economist.
203. What do you understand by managerial economics? How does it differ from traditional economics?
204. “Managerial economics is the integration of economic theory with business practices for the purpose of facilitating decision- making and forward planning by managers”. Explain.
205. Discuss the nature and scope of managerial economics and examine its relationship with economics and management.

UNIT-2

206. What do you understand by the term ‘demand’? Discuss features of demand with the help of an example.
207. Define the term ‘demand’ and discuss the factors affecting the demand of a particular product / service.
208. Explain the assumptions of law of demand. Briefly discuss the conditions, under which the law of demand is applicable.
209. Explain the theory of consumer surplus with the help of diagram.
210. What do you understand by the term ‘demand forecasting’? How demand of a particular commodity can be forecasted?
211. Define elasticity of demand and discuss its type with the help of examples.
212. What is production function? Discuss the law of production in short-run.
213. What is elasticity of demand ? Discuss the main methods to measure elasticity of demand.
214. Explain the law of variable proportions with the help of diagram.

215. Define elasticity of demand and calculate price elasticity of demand by percentage method from the following :

Price (Rs. Per unit)	Expenditure (Rs.)
5	500
6	450

216. The co-efficient of price elasticity of demand of a product is 5. When its price is Rs 10 per unit, its quantity demanded is 40 units. If the price falls to Rs 5 per unit, how much will be its quantity demanded?

UNIT-3

217. What is the difference between perfect competition and monopoly? Explain the price determination with diagram under perfect competition.

218. Explain the difference between perfect competition and Imperfect competition.

219. Discuss the features of monopoly market structure.

220. Define market and discuss about its type.

221. What is perfect competition and discuss features of perfectly competitive market.

222. Define monopoly market and discuss its features.

223. Define monopolistic market and discuss its features.

224. What are key differences between perfect competition and monopolistic competition?

225. Define duopoly market and discuss its features.

226. What is price discrimination and who can exercise it in which market structure?

227. Write short note on the followings (any two) ;

(a) Perfect competition (b) Imperfect Competition

(c) Monopoly market (d) Oligopoly market

228. What do you understand by non- price discrimination ? Discuss who can exercise price discrimination in which market structure?

UNIT-4

229. What are the causes of disequilibrium in Balance of Payment (BOP)?
230. Write a note on Balance of payment.
231. Discuss the methods of measuring national income. Which one do you like the most and why?
232. What is 'Balance of payment'? Discuss the parts of the balance of payments accounts.
233. Distinguish between balance of trade and of balance of payments.
234. What do you mean by national income? Discuss the methods of measuring national income.
235. What is Gross domestic product (GDP) and Net national product? Discuss why study of GDP is helpful in making investment decisions for a profit-aiming firm?
236. Discuss what is capital formation is and what role it plays in economic development of a region.
237. What is domestic saving and discuss why it is important in developing economy like India.
238. What is capital account under balance of payment? State the components of capital account of balance of payments.

UNIT-5

239. Write a short note on Schumpeter's innovation theory of profit and marginal productivity theory of profit.

240. Explain the term profit. Discuss any three theories of profit.

241. Explain various phases of trade cycle.

242. Write a short note on (any two)

(a) Innovation theory of profit

(b) Risk-Bearing theory of profit

© Marginal productivity theory of profit (d) Dynamic theory of profit

243. Discuss any two theories of profit

244. Discuss the impact of trade cycle on society.

245. Discuss the functions that can be performed by managerial economist under different phases of business / trade cycle.

246. Discuss the features of Recession, trough, expansion and recovery phase of business cycle?

247. What is trade cycle ? Write the impact of trade cycle on the business strategy.

248. What problems a manager faces while formulating profit policy of a business concern ?