Mid-West University
Examinations Management Office
Surkhet, Nepal
End-Semester Examination-2080
Master of Business Studies (MBS)
Semester - I

Subject: Managerial Economics	Course Code: MGMT 513
Full Marks: 60 Pass Marks: 30	Time: 3: 00 Hours

You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.

SECTION A: CRITICAL THINKING QUESTIONS (10 X 1 = 10 MARKS)

Answer **ALL** the questions:

1. Write any two features of managerial economics.
2. If the demand function Qd = 100–4p and supply function is Qs = 40+2p. Find the equilibrium price and quantity
3. What do you mean by opportunity cost? Illustrate with an appropriate example.
4. Let, Px is Rs. 50 and Py is Rs. 40 and consumer has fixed the income which the consumer spends on goods X and Y. When consumer draws the budget line, it terminates to Qx at 50 units and Qy at 0 units. Find consumer's income.
5. Show the breakeven point with an appropriate figure.
6. Distinguish between fixed and variable cost.
7. Why is macroeconomics called theory of income and employment? Justify it.
8. Find out the saving function when it is C = 100 + 0.6Y.
9. What is currency induced inflation?
10. India is a major trade partner of Nepal. What is the condition of trade balance between Nepal and India?

SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

Answer any **THREE** questions:

11. CG manufactures and sells televisions. The current price of a television is Rs. 15000 and quantity sold is 20000 units per year. The company believes that the price elasticity of demand of television is – 2.5. The company decided to increase the price to Rs. 16000.
    a. Define the price elasticity of demand. [2]
    b. How many televisions will the company be able to sell at new price? [4]
    c. What will be the effect on total revenue due to the increase in new price? [2]
12. Define the law of equi-marginal utility. How is a consumer in equilibrium in law of equi-marginal utility? Explain. [2+6]
13. Define monopolistic competition market. What are the basic features of monopolistic competition market structure? [2+6]
14. Discuss the value-added method of national income accounting with an appropriate numerical example. [8]
15. Describe the different phases of business cycle. [8]

SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Answer any **TWO** questions:

16. How are equilibrium price and output determined under monopoly market in the short and long run with the help of MC-MR approach? [9+4]
17. Define consumption function, saving function and investment function. Let the saving function be S = -100 + 0.20Y and investment function I = 50 +0.1Y. [1+1+1]
    a. Calculate equilibrium national income, savings, and investment. [4]
    b. If investment is increased by 25 units, what will be the new level of national income, saving and investment? [4]
    c. Does it satisfy the paradox of thrift? [2]
18. International trade is one of the important macroeconomic variables which has positive and negative effect to the traded countries. Nepal is also a developing county which faces different problems regarding to enhance the national economy. What are the problems you identify in Nepalese economy due to the international trade? Give some solutions to solve such types of problems of Nepalese economy? [6+7]

THE END