M.Com 1st Semester Examination, 2020
(Old Syllabus)
Subject: Commerce
Managerial Economics
(Paper: COM103)

Time: 2 Hours **Full Marks: 40**

Module 1

Answer any two questions 10X2=20

1. (a) Do you think that Managerial Economics is a part of Microeconomics. Elucidate your answer.
(b) Determine which of the two investment projects a manager should choose if the discount rate to the firm is 10% and the first project promises a profit of Rs. 100000 at the end of each of the next four years while the second project promises a profit of Rs. 75000 at the end of each of the next six years. (5+5)

2. (a) Estimate direct price, cross price and income elasticity measures for assumed linear and non-linear demand functions.
(b) With a suitable example, elucidate the concept of advertising elasticity of demand. (5+5)

3. (a) "There are major differences in assumptions between the behaviour of costs as Economists see them and as Accountants generally consider them." Explain the statement.
(b) Prove that for the Cobb-Douglas production function, the elasticity of substitution is unity. (5+5)

Module 2

Answer any two questions 10X2=20

4. (a) Explain the economic rationale of peak load pricing.
(b) Under zero cost and linear demand function: P=a+bQ, show that Duopoly output is 2/3rds of competitive output, and Monopoly output is ½ of competitive output. (5+5)

5. (a) Distinguish between risk and uncertainty with examples.
(b) In the context of decision making under risk, which rule is the best one? (5+5)

6. (a) Give a brief account of the concept of Managerial theory of the firm.
(b) Suppose the objective of the firm is to maximize profit. Show that the equilibrium level of output will remain same if
(i) a lump sum tax is imposed
(ii) a profit tax is imposed on profit. (5+5)

Answers to be sent to : com.economics@gmail.com