Eastern University, Sri Lanka
Faculty of Commerce and Management
Third Year Second Semester Examination in BBA-2013/2014
(Sept. /Oct, 2016)

ECN 3023: Managerial Economics

Answer all questions   Time: Three hours

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1 a. Define the two market forces.   (04 Marks)

   b. Interpret meaning of each component in a demand equation.   (04 Marks)

   c. Define the price elasticity of demand using appropriate formulas.   (06 Marks)

   d. Classify price elasticity of supply using appropriate graphs.   (06 Marks)

                                                                                   (Total 20 Marks)

2. a. Briefly explain how the following elasticity measures are useful for
      managerial decision making for a firm.
      i. Own price elasticity
      ii. Cross price elasticity
      iii. Advertisement elasticity
      iv. Income elasticity   (08 Marks)

   b. Briefly explain how regression technique can be applied for slope and
      elasticity measures of demand function.   (06 Marks)

   c. State what are the post estimation tests needed to perform in regression
      analysis? How?   (06 Marks)
                                                                                   (Total 20 Marks)

   a. What does production function reveal? Define the types of production
      functions.   (03 Marks)

   b. Graphically explain with example the short run production function.   (04 Marks)

   c. A estimated Cobb-Douglas production function in linear form for a
      production unit is given as follows:

$$logQ = 1.253 + 0.356logK + 0.562logL + 0.012logS$$

   where Q is level of Output, K, L and S are Capital, Labor and Building
   space respectively.

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i. Interpret each component of given production function.

ii. What would your suggestion be on Returns to Scale?

d. KKS Company estimates its production function with two inputs; Capital (K) and Labor(L) as follows:

$$Q = 40K^{0.5}L^{0.5}$$

The market price of K is $100 per unit and that of input L is $20 per labor hour. KKS has a budget constraint of $16,000 per week.

i. Find its best input combination and the maximum weekly output it can produce. (05 Marks)

ii. Suppose that price of capital increases by 20% whereas wage rate decreases by 25%. There is no change in the budget allocated for inputs. Find new input combination and output. (03 Marks)

(Total 20 M

4. a. Distinguish between Economies of Scale and Diseconomies of Scale. (04 Marks)

b. Briefly explain the factors that can reduce cost pet unit of output in a production unit. (06 Marks)

c. Graphically explain profit maximization condition (Marginal Revenue = Marginal Cost) of market. (05 Marks)

d. Does perfectly competitive market structure exist in real world? Discuss. (05 Marks)

(Total 20 Mr

5. a. Distinguish between Monopoly and Monopsony markets. (04 Marks)

b. Briefly explain by employing appropriate formulas the role of Learner Index and Markup Factor in measuring monopoly power. (06 Marks)

c. What is meant by product differentiation? Why it is essential to the companies that are in Monopolistic competition market. (04 Marks)

d. Consider the following table that comprises Four Firm Concentration Ratio and Herfindahl-Hirschman Index (HHI), and address the market status of each sector given.

Sector	4 Firm Concentration Ratio and HHI (top 50)		
	Total number of firms	4 Firm Concentration Ratio	HHI (top 50)
Food Manufacturing	311	16.8	118.7
Malt Manufacturing	311213	91.4	2,192.4
Motorcycle Manufacturing	373	67.5	2037
Camera Manufacturing	165	45.0	1500

(06 Marks)

(Total 20 Marks)