PAN AFRICA CHRISTIAN UNIVERSITY

MASTERS OF BUSINESS ADMINISTRATION

END OF SEMESTER EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: MBA 501

COURSE TITLE: MANAGERIAL ECONOMICS

EXAM DATE:
TIME:

INSTRUCTIONS
- Read all questions carefully before attempting.
- Answer FOUR Questions Only
- Write your student number on the answer booklet provided.

QUESTION ONE

a) Explain the concept of cross elasticity of demand with an example (3 mks)

b) Define income elasticity of demand and discuss the importance of income elasticity of demand for a business firm (7 mks)

QUESTION TWO

Differentiate the following;
i) Microeconomics
ii) Macroeconomics
iii) Managerial Economics

QUESTION THREE

The Law of Demand doesn't apply to all good. True or false? Discuss (10mks)

QUESTION FOUR

a) Given the following demand and supply functions;

Demand $Q=120-8P$

Supply $Q=-6+4P$

Required:

Determine the values of price and Quantity at the market equilibrium (4mks)

b) Given a monopolist demand function in the form;

$Q=100-2P$

The cost function given as;

$50 +40Q$

Required:

Determine the profit maximizing levels of price and output for the monopolist if price is given as;

$P=50-0.5Q$ (6mks)

QUESTION FIVE

a) Explain the following terms as used in economics

i. Fiscal policies (2Marks)

ii. Monetary policies (2marks)

iii. Demand-pull inflation (2marks)

iv. Cost-push inflation (2mks)

v. Monetaristic Inflation (2mks)

QUESTION SIX

a) Explain the following market structures

i. Pure oligopoly (2mks)

ii. Differentiated oligopoly (3mks)

b) With relevant examples, distinguish the following theories as used in economics

i. Law of variable proportions (3mks)

ii. Law of returns to scale (2mks)