7. What is meant by 'transfer pricing' ? Why does the need for transfer pricing arise ? Discuss and illustrate the transfer pricing method assuming :

(i) that a firm uses all of its subsidiary products and

(ii) the firm has an external market for its subsidiary products.

UNIT – IV

8. Define the concepts of risk and uncertainty. How does uncertainty create a different situation for investment decision-making compared to risk ?

9. How is inflation defined ? What are the methods of measuring inflation ? Why is national income deflator considered as a more reliable method of measuring inflation ?

Roll No. ....

12002

MBA 2 Year 1st Semester (CBCS) Old Examination – December, 2019

MANAGERIAL ECONOMICS

Paper : 16IMG21C2

Time : Three Hours]   *[Maximum Marks : 80*

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard, will be entertained after examination.

Note : Section 'A' comprising of, *eight* short answer type questions, is *compulsory*. In Section 'B' you are to attempt *four* questions, selecting *one* question from each Unit. All questions carry equal marks.

SECTION – A

1. Answer the following in short :

(a) Why does a demand curve slope downwards to the right ?

(b) Define consumer's equilibrium.

(c) What is meant by law of variable proportion ?

(d) What is the marginal rate of technical substitution ?

(e) Define Mark-up pricing.

(f) Distinguish between skimming price and penetration pricing policies.

(g) What is value-added in national income ?

(h) Short note on relationship between inflation and employment.

SECTION – B

UNIT – I

2. What are the basic functions of a manager ? How does managerial economics contribute to business decision making ?

3. Distinguish between cardinal and ordinal concepts of utility. Which of the two is a more useful concept in demand analysis from a manager's point of view ?

UNIT – II

4. Define optimum input-combination. What are the criteria for the least-cost combination of inputs ? Explain graphically.

5. Explain Baumol's theory of sales revenue maximization ? In what way is this theory superior to the conventional theory based on profit maximization hypothesis ?

UNIT – III

6. Discuss the technique of multiple product pricing. Why cannot a single average price be fixed for all products ?