



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)
Dundigal, Hyderabad-500043

MASTER OF BUSINESS ADMINISTRATION

TUTORIAL QUESTION BANK

Course Title	MANAGERIAL ECONOMICS				
Course Code	CMBB03				
Programme	MBA				
Semester	I				
Course Type	Core				
Regulation	IARE - R18				
Course Structure	Theory			Practical	
	Lectures	Tutorials	Credits	Laboratory	Credits
	4	-	4	-	-
Chief Coordinator	Ms.B.Swathi, Assistant Professor				
Course Faculty	Ms.B.Swathi, Assistant Professor				

COURSE OBJECTIVES:

The course should enable the students to:	
I	Understand the basic economic principles, forecast demand and supply.
II	Analyze the price elasticity of demand for company products; Investors can engage the sustainability of the company.
III	Estimate cost and understand market structure and pricing practices.
IV	Apply quantitative techniques to business decisions using economic concepts such as supply and demand, price elasticity and marginal analysis.

COURSE OUTCOMES (COs):

CCMB003.01	Apply economic principles and methodologies to key management decisions with in the organizations and foster the goals of the organization.
CCMB003.02	Identify the nature and scope of managerial economics in the modern business.
CCMB003.03	Understand the fundamentals of managerial economics such as demand, production, price and supply which helps them in doing business effectively.
CCMB003.04	Know about the marketing research approaches to demand estimation in demand Forecasting and its function in an organization.
CCMB003.05	Evaluate benefit/cost, life cycle and breakeven analyses on one or more economic alternatives.
CCMB003.06	Analyze various forms of production function like Isoquant and Isocost and finding out optimal combinations of inputs including the Cobb-Douglas function
CCMB003.07	Discuss the economies of scale, diseconomies of scale, economies of scope, and cost complementarities, and how each affects the cost of production

CCMB003.08	Examine the cost function and differences between short-run and long-run cost Function.
CCMB003.09	Demonstrate the cost efficient method of producing components which are better sourced from other companies.
CCMB003.10	Recognize the industry structure at firm level to develop production strategies with Profit maximization. Elucidate the basic market models of perfect competition, imperfect competition, and how price and output are determined in each model

TUTORIAL QUESTION BANK

MODULE- I			
INTRODUCTION TO MANAGERIAL ECONOMICS			
Part - A (Short Answer Questions)			
S No	QUESTIONS	Blooms Taxonomy Level	Course Outcomes (COs)
1	Define Managerial Economics.	Remember	CMBB03.01
2	Briefly explain the relationship of managerial economics with production and financial management.	Understand	CMBB03.01
3	Write a short note on Macro Economics.	Understand	CMBB03.01
4	Write the use of micro economics in managerial economics applications?	Remember	CMBB03.02
5	What is the role of Managerial Economist?	Understand	CMBB03.02
6	Explain managerial economics utility to Technocrats.	Understand	CMBB03.01
7	How can a problem be diagnosed as an economic problem?	Understand	CMBB03.01
8	Explain the nature of Managerial Economics.	Remember	CMBB03.01
9	Write on Risk and Uncertainty principle.	Understand	CMBB03.02
10	What is opportunity cost .Give example?	Remember	CMBB03.01
11	What do you mean by Scarcity?	Understand	CMBB03.01
12	Give the scope of managerial economics.	Remember	CMBB03.01
13	How managerial economics bridges the gap?	Understand	CMBB03.01
14	Discuss Equi- marginalize principle in managerial economics.	Remember	CMBB03.01
15	Explain Discounting principle in detail.	Understand	CMBB03.01
16	What is the significance of managerial economics?	Understand	CMBB03.02
17	State the relationship of managerial economics with Production management.	Remember	CMBB03.02
18	State the relationship of managerial economics with Finance.	Remember	CMBB03.02
19	Explain the significance of time perspective and discounting principle in decision making of business.	Understand	CMBB03.02
20	Discuss investment principle.	Remember	CMBB03.02
Part - B (Long Answer Questions)			
1	Define discounting principle and briefly explain the impact of risk and uncertainty aspects in the process development of an organization.	Understand	CMBB03.01
2	Define Managerial Economics. Explain its nature and its scope.	Remember	CMBB03.01
3	Explain the relationship of economics with other areas of economics.	Understand	CMBB03.01
4	What is marginal principle? Explain importance of marginal principle in business decisions?	Remember	CMBB03.02
5	Explain the significance of time perspective and discounting principle in decision making of business.	Understand	CMBB03.02
6	Write about the economies of risk and uncertainty?	Remember	CMBB03.01
7	State the importance of Marginalism and Equi- marginalism in Economics	Understand	CMBB03.02
8	Discuss the role of managerial economist in present business environment.	Understand	CMBB03.02
9	What are the basic economic principles used by a managerial economist?	Remember	CMBB03.02
10	Define managerial economics and narrate its relationship with all functional areas Of management.	Understand	CMBB03.02
11	What are the basic economic tools used in business economics, explain?	Understand	CMBB03.01
12	What are the roles and responsibilities of business economics?	Understand	CMBB03.01
13	Discuss the characteristics of business economics.	Understand	CMBB03.01
14	Explain the role of business economics in business decision making.	Understand	CMBB03.01

15	Describe the characteristics of business economics.	Understand	CMBB03.01
Part - C (Problem Solving and Critical Thinking Questions)			
1	Discuss the use of the internet in managerial economics in detail.	Understand	CMBB03.01
2	How does the theory of firm provide an integrated framework for the analysis of managerial decision making across the functional areas of business?	Understand	CMBB03.01
3	Why is managerial economics being considered a central part of each functional area of management?	Understand	CMBB03.02
4	Explain the following a) opportunity cost principle b) principle of time perspective c) Incremental principle d) Discounting principle	Understand	CMBB03.02
5	Discuss the various steps involved in managerial decision making	Understand	CMBB03.02
MODULE-II			
THEORY OF DEMAND			
Part – A (Short Answer Questions)			
1	Define demand and what the types of demand are.	Remember	CMBB03.04
2	What is law of demand, Give its statement?	Understand	CMBB03.04
3	Define elasticity of demand and its types.	Remember	CMBB03.04
4	For what purposes demand forecasting is conducted.	Remember	CMBB03.04
5	Define and explain the concept of Elasticity of Supply.	Understand	CMBB03.05
6	Discuss supply function in detail.	Remember	CMBB03.05
7	What is Giffen paradox?	Understand	CMBB03.04
8	Define and explain Elasticity of supply.	Understand	CMBB03.04
9	What is demand function?	Remember	CMBB03.04
10	Give assumptions of Law of demand.	Understand	CMBB03.03
11	What are the exceptions of law of demand?	Understand	CMBB03.03
12	Discuss the types of price of elasticity of demand.	Remember	CMBB03.03
13	Write the significance of elasticity of demand?	Remember	CMBB03.04
14	What are the exceptions of law of supply?	Understand	CMBB03.03
15	What are the determinants of supply?	Remember	CMBB03.04
16	What are the determinants of demand?	Remember	CMBB03.04
17	Discuss characteristics of law of demand.	Remember	CMBB03.04
18	How do the measuring of elasticity of demand?	Understand	CMBB03.04
19	Define Elasticity of Supply and its types.	Remember	CMBB03.03
20	Describe the cross elasticity of demand.	Remember	CMBB03.04
Part - B (Long Answer Questions)			
1	Explain the law of supply and discuss about the elasticity of supply.	Understand	CMBB03.04
2	What are the methods of demand forecasting in business economics?	Understand	CMBB03.04
3	What the law of supply. What are the determinants of Elasticity of supply?	Understand	CMBB03.05
4	List the major advantages and disadvantages of estimating demand by consumer surveys.	Understand	CMBB03.05
5	What are the needs and objectives of demand forecasting? How can the probable demand for a product are estimated in case of an existing product or for a new product?	Understand	CMBB03.05
6	Distinguish between inferior goods and normal goods, substitution effect and income effect, and between change in the quantity demand and change in demand.	Understand	CMBB03.05
7	State and explain the Law of supply.	Understand	CMBB03.05
8	List the major advantages and disadvantages of estimating demand by consumer surveys.	Understand	CMBB03.04
9	Define Elasticity of Demand and its Measurements.	Understand	CMBB03.04
10	What is the purpose of demand forecasting? Describe the uses and limitations of the trend method of forecasting?	Understand	CMBB03.04
11	Define demand forecasting and discuss about need of demand forecasting.	Understand	CMBB03.04
12	Define supply? Describe the determinants of supply.	Understand	CMBB03.04
13	What is the purpose of demand forecasting? Describe the uses an limitations of the trend method of forecasting?	Remember	CMBB03.04
14	Define demand and What the determinants of demand forecasting.	Remember	CMBB03.04
15	Define law of demand and determine the exceptions of law of demand.	Remember	CMBB03.04

16	Explain law of demand and discuss the demand function.	Remember	CMBB03.04
18	Define supply function and discuss the types of supply function.	Remember	CMBB03.04
Part - C (Problem Solving and Critical Thinking Questions)			
1	If you want to launch a mini meal in your newly promoted restaurant. How do you estimate demand	Understand	CMBB34.03
2	Several methods can be used to estimate demand. If a fast moving consumer goods firm would like to estimate the demand for a new product, which methods would you suggest and why	Understand	CMBB34.03
3	Define demand forecasting and What is the purpose of demand forecasting, Describe the uses and limitations of the trend method of forecasting.	Understand	CMBB34.04
4	Distinguish between inferior goods and normal goods, substitution effect and income effect, and between change in the quantity demand and change in demand and supply	Understand	CMBB34.04
5	List the major advantages and disadvantages of estimating demand by consumer surveys.	Understand	CMBB34.04
MODULE -III			
PRODUCTION ANALYSIS			
Part - A (Short Answer Questions)			
1	Write short notes on Marginal rate of technical substitution?	Remember	CMBB03.08
2	Explain Isoquants and their features.	Remember	CMBB03.08
3	Define Laws of increasing returns	Understand	CMBB03.08
4	What is meant by the marginal revenue product of an input and how is it calculated?	Remember	CMBB03.08
5	Explain the terms: production, inputs, short run and long run.	Remember	CMBB03.08
6	Write a short note on internal economies of scale briefly?	Understand	CMBB03.08
7	Explain internal diseconomies of scale and its limitations.	Understand	CMBB03.08
8	Compare internal economies and external economies in detail	Remember	CMBB03.08
9	What are the differences between laws of returns and returns to scale?	Understand	CMBB03.08
10	How innovation plays a key role in global environment?	Understand	CMBB03.08
11	Describe Returns to scale.	Understand	CMBB03.08
12	What is formula for production function?	Remember	CMBB03.08
13	Define Expansion path ,What is the other name for Expansion path?	Remember	CMBB03.08
14	Explain Diseconomies of scale.	Understand	CMBB03.08
15	Describe Returns to Factors.	Remember	CMBB03.08
16	Where the slope of isoquant is equal to that of isocost	Remember	CMBB03.08
17	Define Isocosts	Understand	CMBB03.08
18	How many stages are there in the law of returns to scale? Name the returns to scale?	Remember	CMBB03.08
19	Differentiate between Isocosts and Isoquants	Remember	CMBB03.08
20	What is shape of Isoquant curve? Explain the causes?	Understand	CMBB03.08
Part – B (Long Answer Questions)			
1	Define production function and explain its limitations.	Understand	CMBB03.08
2	What are the returns to scale and returns to factors? How are they different from economies of scale, Explain?	Understand	CMBB03.08
3	Explain the relationship of MRTS, Iso-quants and Iso-cost to production function with two variables	Understand	CMBB03.08
4	What is of Cobb-Douglas production function? Write its use in production analysis?	Understand	CMBB03.08
5	Explain the concepts of average physical product, Marginal physical product and Total physical product of a variable factor. Show their behavioral relationship giving a production schedule and diagrammatic representation.	Understand	CMBB03.08
6	Discuss various types of internal economies available to a firm	Understand	CMBB03.08
7	Explain the various economies of scale. How do they influence the size of the firm	Understand	CMBB03.08
8	Briefly explain the law of diminishing returns and its application value.	Understand	CMBB03.08
9	How can innovations benefit business programs through product development? Discuss with a suitable example?	Understand	CMBB03.08
10	Explain the various economies of scale. How do they influence the size of firm	Understand	CMBB03.08
11	Write the differences between returns to scale and returns to factors	Understand	CMBB03.08

12	Explore the relationship between the marginal product and the average product curves of a variable input.	Understand	CMBB03.08
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14	Write the differences between returns to scale and returns to factors?	Understand	CMBB03.08
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17	How can innovations benefit business programs through product development? Discuss with a suitable example	Understand	CMBB03.08
18	Explore the relationship between the marginal product and the average product curves of a variable input.	Understand	CMBB03.08
19	How can innovations benefit business programs through product development? Discuss with a suitable example?	Understand	CMBB03.08
20	Discuss Isocosts and its features, draw Isocosts each representing different levels of total cost	Understand	CMBB03.08
Part – C (Problem Solving and Critical Thinking)			
1	In case of a production function with a combination of two factor inputs that are mutually changeable, explain how equilibrium position can be arrived at when prices move in opposite direction	Remember	CMBB03.07
2	Show the output relationship among Fixed Input and variable Inputs	Understand	CMBB03.08
3	If the total product curve increases at a decreasing rate from the very beginning (that is from the point where the variable input is zero), what would be the shape of the corresponding marginal and average product curves	Remember	CMBB03.08
4	Show Isoquant schedule with graphical representation comparing capital with number of labourers.	Understand	CMBB03.08
5	Demonstrate Ratio of MRTS between Capital and Labour and show the graphical representation.	Remember	CMBB03.07
MODULE -IV			
COST THEORY AND ESTIMATION			
Part – A (Short Answer Questions)			
1	Define cost and explain the determinants of cost.	Remember	CMBB03.09
2	Describe the importance of cost concepts.	Understand	CMBB03.09
3	How long run period is different from short run period?	Remember	CMBB03.09
4	What do you mean by overall cost leadership?	Understand	CMBB03.09
5	Distinguish between fixed and variable cost.	Understand	CMBB03.09
6	What is break even analysis?	Remember	CMBB03.09
7	Explain cost-output relationship both in the short run and long run.	Understand	CMBB03.09
8	What do you mean by cost function?	Remember	CMBB03.09
9	Write the differences between short run and long run costs in detail?	Understand	CMBB03.09
10	Why long run average cost curve is U-shaped?	Remember	CMBB03.09
11	Explain various methods of cost estimation methods briefly.	Remember	CMBB03.09
12	What are the differences between fixed cost and variable cost?	Understand	CMBB03.09
13	Explain the importance of cost concepts and explain the determinants of costs.	Remember	CMBB03.10
14	Discuss explicit cost and implicit cost with example.	Understand	CMBB03.10
15	Differentiate short run cost vs long run cost.	Understand	CMBB03.10
16	What is Explicit cost?	Remember	CMBB03.10
17	What is Total cost?	Understand	CMBB03.10
18	Explain the nature of fixed cost in short run.	Remember	CMBB03.10
19	What is opportunity cost?	Remember	CMBB03.10
20	What is the relationship between total variable with marginal cost?	Understand	CMBB03.10
Part – B (Long Answer Questions)			
1	Explain the cost-output relationship in short run in detail with a neat diagram.	Understand	CMBB03.09
2	What is the role of Cost in managerial decisions? Explain any four cost concepts relevant for managerial decisions and corporate planning?	Remember	CMBB03.09

3	Explain the cost-output relationship in long run in detail with a neat diagram.	Understand	CMBB03.09
4	Define Cost and explain the determinants of cost. Clearly establish the relationship between average cost and marginal cost.	Remember	CMBB03.09
5	How short run costs are different from long run costs? Write the differences in detail?	Understand	CMBB03.09
6	Explain the importance of cost and output relationship in the long run and short run in detail	Understand	CMBB03.09
7	Discuss long run and short run cost curves in cost output relationship	Remember	CMBB03.09
8	What are the determinants of cost? Explain different concepts that are used by manager for decision making	Remember	CMBB03.09
9	Define CVP analysis. How do you calculate breakeven point	Remember	CMBB03.09
10	Define average cost, Clearly establish relationship between output and cost with reference to average variable cost	Understand	CMBB03.09
11	Define cost. Explain need and significance in decision making	Remember	CMBB03.10
12	Explain the term breakeven point. How is it used and determined? Explain the method of drawing break even chart.	Remember	CMBB03.10
13	Explain the different types of cost and cost concepts in economics.	Understand	CMBB03.10
14	How long run period is the different from short run period. Explain with a example?	Understand	CMBB03.10
15	Explain various costs and Importance of cost curve.	Remember	CMBB03.10
16	Explain significance of Breakeven point.	Understan	CMBB03.10
17	Explain Overall cost Leadership.	Remember	CMBB03.10
18	Describe cost concept and cost function? Mention the cost formula.	Understand	CMBB03.10
19	What is the difference between Short Run costs and Long Run Costs?	Understand	CMBB03.10
20	Explain significance of cost curve? How it is useful to the producer.	Understand	CMBB03.10

Part – C (Problem Solving and Critical Thinking)

1	While marginal cost is essentially incremental cost, incremental cost is not so How? Even though marginal cost is constant the average cost curve slopes down why? Illustrate your answer.	Understand	CMBB34.08								
2	Explain the term breakeven point. How is it used and determined? Explain the method of drawing break even chart.	Understand	CMBB34.07								
4	While marginal cost is essentially incremental cost, incremental cost is not so How? Even though marginal cost is constant the average cost curve slopes down why? Illustrate your answer.	Understand	CMBB34.08								
5	Explain the term breakeven point. How is it used and determined? Explain the method of drawing break even chart.	Understand	CMBB34.07								
6	From the following information you are required to find out Contribution, Breakeven point in units, Margin of safety, Profit and volume required to earn profit of Rs.6000. <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Total fixed costs</td> <td>Rs.4500</td> </tr> <tr> <td>Total variable costs</td> <td>7500</td> </tr> <tr> <td>Total sales</td> <td>15000</td> </tr> <tr> <td>Units sold</td> <td>5000</td> </tr> </table>	Total fixed costs	Rs.4500	Total variable costs	7500	Total sales	15000	Units sold	5000	Understand	CMBB34.10
Total fixed costs	Rs.4500										
Total variable costs	7500										
Total sales	15000										
Units sold	5000										
7	The following data are available from the records of a company Sales Rs.60,000 Variable cost Rs.30,000 Fixed Cost RS.15,000 You are required to i. Calculate the P/V Ratio, Break-Even Point and Margin of Safety at this level. ii. Calculate the above with the effect of 10% increase in selling price. iii. Calculate the above with the effect of 10% decrease in	Understand	CMBB34.10								

MODULE –V

MARKET STRUCTURE AND PRICING PRACTICES

Part - A (Short Answer Questions)

1	What are types of competitive markets?	Understand	CMBB03.10
2	What is perfect competition? Give some of the best examples?	Understand	CMBB03.10
3	Discuss about oligopoly.	Understand	CMBB03.10

4	Identify the market skimming.	Remember	CMBB03.10
5	Describe the Block Pricing.	Remember	CMBB03.10
6	Sketch the market structure.	Understand	CMBB03.10
7	State the equilibrium price.	Remember	CMBB03.10
8	Discuss the penetration pricing.	Understand	CMBB03.10
9	List out the pricing objectives.	Understand	CMBB03.10
10	Discuss the cross subsidization.	Remember	CMBB03.10
11	Illustrate the Sealed Bid.	Remember	CMBB03.10
12	Describe monopolistic competition.	Understand	CMBB03.10
13	Write about marginal revenue curve.	Understand	CMBB03.10
14	What is promotional pricing?	Remember	CMBB03.10
15	Define market. What are the activities identify at market place?	Understand	CMBB03.10
16	What is imperfect competition?	Understand	CMBB03.10
17	Explain role of time factor determination of price.	Remember	CMBB03.10
Part - B (Long Answer Questions)			
1	Define Perfect Competition. List out the features of Perfect Competition.	Remember	CMBB03.10
2	Define Monopoly. Discuss the features of Monopoly.	Remember	CMBB03.10
3	How the price and output determination in the monopolistic competition in the short run?	Understand	CMBB03.10
4	How to determine price under Perfect Competition? Illustrate.	Understand	CMBB03.10
5	What are the criteria for market classification? How is price determined under conditions of perfect competition?	Remember	CMBB03.10
6	Discuss price-output determination in case of Monopoly.	Understand	CMBB03.10
7	Write differences between Perfect competition and Monopoly?	Remember	CMBB03.10
8	How are markets classified? In a Monopolistic competitive market how can a competitor attain equilibrium position during short run and long run periods?	Understand	CMBB03.10
9	Write differences between perfect and imperfect market. Explain different types of Pricing.	Remember	CMBB03.10
10	How market price is determined under conditions of Perfect Competition? Discuss the main features of perfect market situation?	Remember	CMBB03.10
11	Define Monopolistic Competition. Explain the features of Monopolistic Competition.	Understand	CMBB03.10
12	How is price and output determined under monopoly in imperfect competition?	Understand	CMBB03.10
13	How to determine price- output in case of Monopolistic Competition? Discuss.	Remember	CMBB03.10
14	How to determine price- output in case of Oligopoly?	Remember	CMBB03.10
15	Define pricing, Explain Pricing objectives with examples.	Understand	CMBB03.09
16	Discuss pricing strategies and policies.	Understand	CMBB03.09
17	What are various methods of cost Estimation and describe each and every method?	Understand	CMBB03.10
Part – C (Problem Solving and Critical Thinking)			
1	Discuss the meaning and main features of monopoly market situation. Draw a diagram to show equilibrium of the firm under conditions of monopolistic competition.	Understand	CMBB03.10
2	There are practically very few real life instances of perfect competition. Which firm would you like to specify for perfect competition in the Indian scenario	Understand	CMBB03.10
3	Draw the diagram to show equilibrium of the firm under conditions of monopolistic competition	Understand	CMBB03.10
4	Discuss the meaning and main features of monopoly market situation. Draw a diagram to show equilibrium of the firm under	Understand	CMBB03.10

**Ms. B. Swathi,
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MBA Department**

HOD, MBA Department