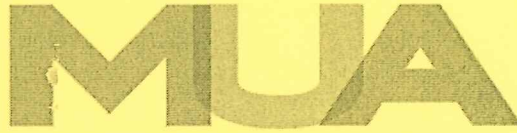


The
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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

MASTER OF BUSINESS ADMINISTRATION AND MASTER OF
MANAGEMENT AND LEADERSHIP

MBA 509: MANAGERIAL ECONOMICS

DATE: 30th March 2022

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Read the Case Study below on market structure carefully and, answer the questions that follow:

A) We live in a world with scarce resources, which is why economics is a practical science. We cannot have everything we want. Further, others want the same scarce resources we want. Organizations that provide goods and services will survive and thrive only if they meet the needs for which they were created and do so effectively. Since the organization's customers also have limited resources, they will not allocate their scarce resources to acquire something of little or no value. And even if the goods or services are of value, when another organization can meet the same need with a more favorable exchange for the customer, the customer will shift to the other supplier. Put another way, the organization must create value for their customers, which is the difference between what they acquire and what they produce.

In relation to the case presented, deduce how Managerial Economics differs from Economics (6 Marks)

B) Distinguish between the following paired concepts

- | | | |
|------|--------------------------------------|------------|
| i. | Derived Demand and Autonomous Demand | (3 Marks) |
| ii. | Industry Demand and Company Demand | (3 Marks) |
| iii. | Short-Run Demand and Long-Run Demand | (3 Marks) |

- C) Using the Table 3.1 provided discuss with examples the relationship among Average Cost, Marginal Cost, and Total Cost? (6 Marks)

TABLE 3.1 Cost-output Relationships

Units of Output	Fixed Cost ₹	Variable Cost ₹	Total Cost ₹	Marginal Cost ₹	Average Cost ₹
0	176	0	176	-	-
1	176	75	251	75	251
2	176	135	306	55	153
3	176	175	351	45	117
4	176	209	385	34	96
5	176	238	414	29	83
6	176	265	441	27	74
7	176	289	465	24	66
8	176	312	488	23	61
9	176	328	504	16	56
10	176	344	520	16	56
11	176	367	543	23	49
12	176	400	576	33	48
13	176	448	624	48	48
14	176	510	686	62	49
15	176	600	776	90	52

- D) A monopolist has the cost function $TC(y) = 200y + 15y^2$ and faces the demand function given by $p = 1200 - 10y$.
- profit maximizing output (4 Marks)
 - profit-maximizing price (3 Marks)
 - the maximum profit (2 Marks)

QUESTION TWO

- A) A company has fixed costs of Kshs 20,000 in order to sell a product that costs them Kshs 50 per unit. If a company sells the product for Kshs 120 per unit,
- Determine the break-even units (3 Marks)
 - Determine the units required to earn Kshs 100,000 in profit? (4 Marks)
- B) In capital budgeting, you learned several techniques you can use to evaluate a project, answer the following questions in relation to project appraisal.

- i) Determine projects payback periods and give your recommendations on which project your company should invest in. (3 Marks)

	Project A	Project B
Cost	1,00,000	1,00,000
Expected future cash flow		
Year 1	50,000	1,00,000
Year 2	50,000	5,000
Year 3	1,10,000	5,000
Year 4	None	None
TOTAL	2,10,000	1,10,000

- ii) Discuss Uncertainty and the Evaluation of Public Investment Decisions (5Marks)

QUESTION THREE

- A) Define the term Trade Protectionism as used international economics (2 Marks)
- B) There are various methods of trade protectionism whose goal is to protect a nation's economic well-being. Evaluate any four methods of trade protectionism (8 Marks)
- C) Examine any five benefits of regular integration (5marks)

QUESTION FOUR

- A) With the help of a diagram, discuss any three characteristics of indifference curves (3 Marks)
- B) By use of a well labeled diagram, discuss The Three Stages of Production in the short run (9 Marks)

C) Explain the following market structures,

(3 Marks)

- i. Monopsony,
- ii. Bilateral Monopoly and
- iii. Oligopsony

