

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 ?

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- 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 ?

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