



ஸ்ரீ-ல-ஸ்ரீ காசிவாசி சுவாமிநாத சுவாமிகள் கலைக் கல்லூரி  
திருப்பனந்தாள் - 612504

**S.K.S.S ARTS COLLEGE, THIRUPPANANDAL - 612504**



## QUESTION BANK

*Title of the Paper*

# MANAGERIAL ECONOMICS

Course: I M.Com.,  
Sub. Code: P16MC11  
SEMESTER : I

*Prepared by*



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## CORE COURSE - I

### MANAGERIAL ECONOMICS

#### **UNIT – I**

Managerial Economics –Meaning, Nature, Scope and Application – Relationship with other discipline–Role of Managerial Economist –Demand Analysis – Demand Determinants - forecasting and techniques.

#### **UNIT – II**

Production Function– Managerial use of production function – Supply analysis - Law of Supply- managerial uses of supply curve. Cost Concepts, classification & determinants – Cost Output relationship – Economies of scale - Cost Control and Cost Reduction.

#### **UNIT – III**

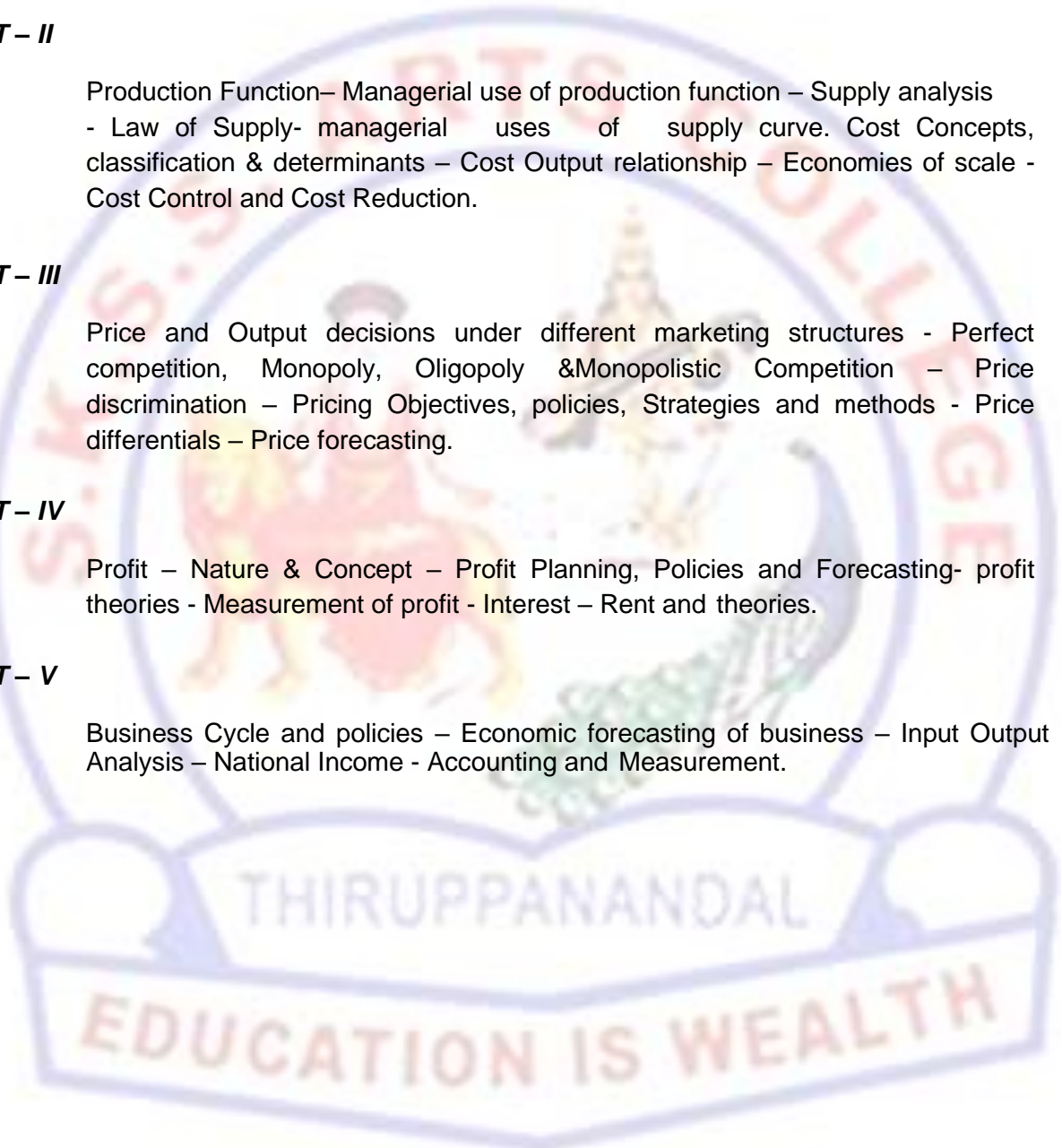
Price and Output decisions under different marketing structures - Perfect competition, Monopoly, Oligopoly & Monopolistic Competition – Price discrimination – Pricing Objectives, policies, Strategies and methods - Price differentials – Price forecasting.

#### **UNIT – IV**

Profit – Nature & Concept – Profit Planning, Policies and Forecasting- profit theories - Measurement of profit - Interest – Rent and theories.

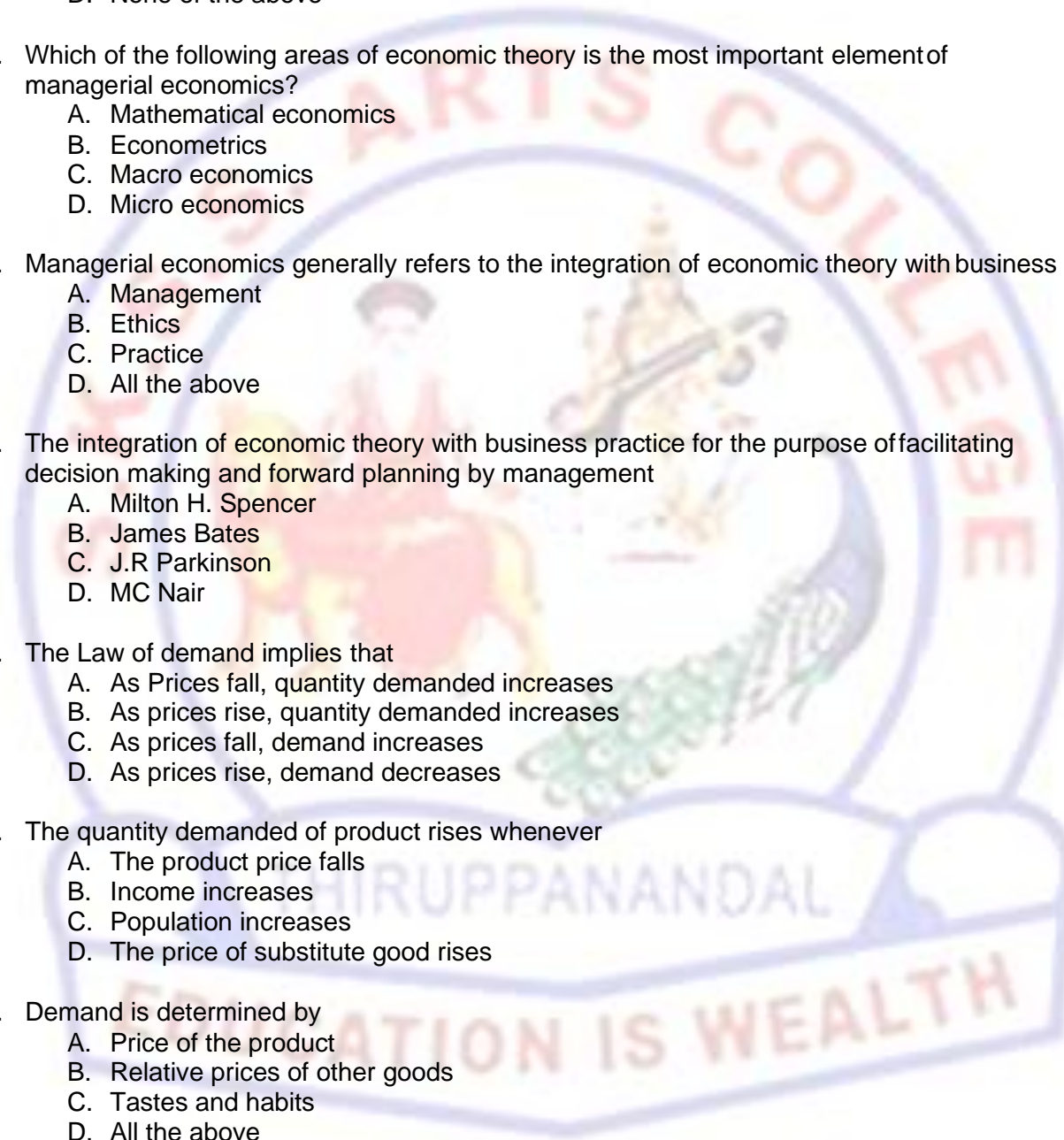
#### **UNIT – V**

Business Cycle and policies – Economic forecasting of business – Input Output Analysis – National Income - Accounting and Measurement.



## UNIT- I

### CHOOSE THE CORRECT ANSWER

1. Which of the following is the best definition of Managerial economics? Managerial economics
    - A. A distinct field of economic theory
    - B. A field that applies economic theory and tools of decision science
    - C. A field that combines economic theory and mathematics
    - D. None of the above
  
  2. Which of the following areas of economic theory is the most important element of managerial economics?
    - A. Mathematical economics
    - B. Econometrics
    - C. Macro economics
    - D. Micro economics
  
  3. Managerial economics generally refers to the integration of economic theory with business
    - A. Management
    - B. Ethics
    - C. Practice
    - D. All the above
  
  4. The integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management
    - A. Milton H. Spencer
    - B. James Bates
    - C. J.R Parkinson
    - D. MC Nair
  
  5. The Law of demand implies that
    - A. As Prices fall, quantity demanded increases
    - B. As prices rise, quantity demanded increases
    - C. As prices fall, demand increases
    - D. As prices rise, demand decreases
  
  6. The quantity demanded of product rises whenever
    - A. The product price falls
    - B. Income increases
    - C. Population increases
    - D. The price of substitute good rises
  
  7. Demand is determined by
    - A. Price of the product
    - B. Relative prices of other goods
    - C. Tastes and habits
    - D. All the above
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8. If the price of a complement increases all else equal
  - A. Quantity demanded will increase
  - B. Quantity supplied will increase
  - C. Demand will increase
  - D. Demand will decrease
  
9. Features of good forecasting methods
  - A. Simplicity
  - B. Economy
  - C. Availability
  - D. All the above
  
10. A forecasting which is limited to short period not exceeding one year is called
  - A. Short -term Demand forecasting
  - B. Long -term Demand forecasting
  - C. Demand analysing
  - D. Industry forecasting

**Answers:** 1.A 2.D 3.C 4.A 5.A 6.A 7.A 8. D 9. D 10.A

#### **SHORT QUESTIONS (2 MARKS)**

11. Define Managerial economics.
12. Is managerial economics positive or normative?
13. Bring out the scope of managerial economics.
14. Narrate the relationship of managerial economics and Mathematics.
15. State the role of Managerial economist.
16. What is Demand analysis?
17. What is law of demand?
18. List out any two determinants of Demand.
19. What is meant by Demand forecasting?
20. What are forecasting techniques?

#### **PARAGRAPH QUESTIONS (5 MARKS)**

21. Indicate the scope of managerial economics.
22. Discuss the main features of managerial economics.
23. Mention the relationship of managerial economics with any two disciplines.
24. Discuss the role of managerial economist.
25. Discuss why the Demand curve slopes downwards.
26. Indicate the approach to be made in Demand forecasting.
27. What are the exceptions of law of demand?
28. What is End-Use method of Forecasting?
29. Explain any three determinants of Demand.
30. Narrate the techniques used in Demand forecasting.

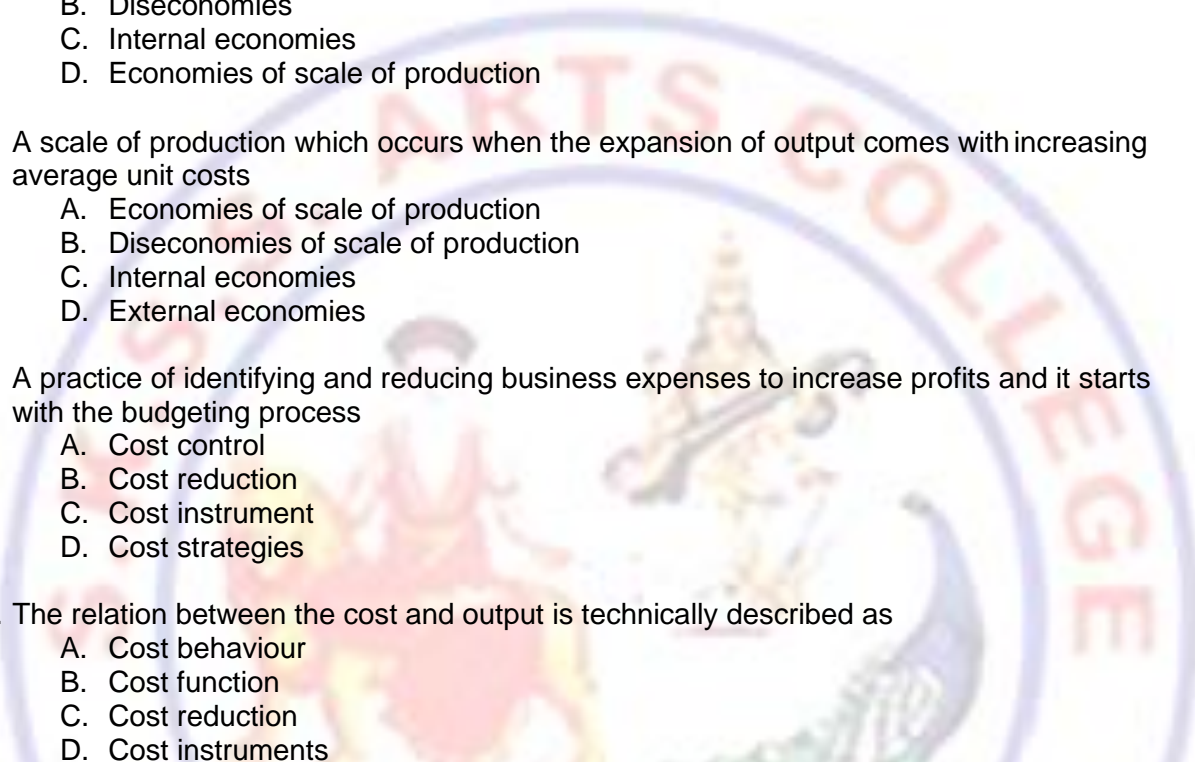
## ESSAY TYPE QUESTIONS (10 MARKS)

31. What is managerial economics and explain its nature.
32. Narrate the scope of managerial economist.
33. Discuss the factors that affect the demand for product or service.
34. Explain the causes of downward sloping of demand curve.
35. Briefly explain the determinants of demand.
36. What do you mean by demand forecasting and explain its techniques?
37. State why the aggregate demand curve is negatively sloped.
38. Discuss the criteria for choosing the demand forecasting methods.
39. Briefly explain the different methods of Demand forecasting.
40. Differentiate in the objectives between short term forecasting and long term forecasting.

## UNIT- II

### CHOOSE THE CORRECT ANSWER

1. With respect to production, the short run is best defined as a time period
  - A. Lasting about six months
  - B. Lasting about three years
  - C. In which at least one output is fixed
  - D. In which all inputs are fixed
2. Factors of production are
  - A. Inputs and outputs
  - B. Outputs only
  - C. Inputs only
  - D. The minimum sets of inputs that can produce a certain fixed quantity of output
3. Other things remaining the same, as the price of a commodity rises, its supply increases and as the price falls, its supply declines
  - A. Law of supply
  - B. Law of demand
  - C. Determinants of demand
  - D. Supply schedule
4. For a given normal supply curve, the amount of a tax paid by the buyer will be larger
  - A. The more elastic the demand
  - B. The more in elastic the demand
  - C. Income elasticity is equal to zero
  - D. When price is high
5. A implicit cost is
  - A. The cost of giving up an alternative
  - B. The cost of a chose alternative
  - C. Calculated by subtracting the money cost
  - D. None of the above

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6. The relation between the cost and output is technically described as
- A. Cost behaviour
  - B. Cost Function
  - C. Cost reduction
  - D. Cost instruments
7. Economies in production which occur to the firm itself when it expands its output or enlarge its scale of production
- A. External economies
  - B. Diseconomies
  - C. Internal economies
  - D. Economies of scale of production
8. A scale of production which occurs when the expansion of output comes with increasing average unit costs
- A. Economies of scale of production
  - B. Diseconomies of scale of production
  - C. Internal economies
  - D. External economies
9. A practice of identifying and reducing business expenses to increase profits and it starts with the budgeting process
- A. Cost control
  - B. Cost reduction
  - C. Cost instrument
  - D. Cost strategies
10. The relation between the cost and output is technically described as
- A. Cost behaviour
  - B. Cost function
  - C. Cost reduction
  - D. Cost instruments

**Answers:** 1.C 2.C 3.A 4.B 5.A 6.B 7.C 8. B 9. A 10.B

**SHORT QUESTIONS (2 MARKS)**

- 11. What is production function?
- 12. What are the assumptions of production function?
- 13. State law of supply.
- 14. What is supply analysis?
- 15. What are the managerial uses of supply curve?
- 16. What is meant by cost?
- 17. What is cost control?
- 18. What do you mean by cost reduction?
- 19. How would you classify the cost?
- 20. What is mean by economies of scale?

### PARAGRAPH QUESTIONS (5 MARKS)

21. Define production function and explain its importance.
22. Explain the uses of production function in decision making.
23. State the law of supply. What are its determinants?
24. Explain the importance of law of supply.
25. Discuss the importance of supply curve.
26. Differentiate between cost control and cost reduction.
27. Explain the types of economies of scale.
28. Explain in brief about diseconomies of scale of production.
29. Explain the determinants of cost function.
30. Briefly explain the importance of cost reduction.

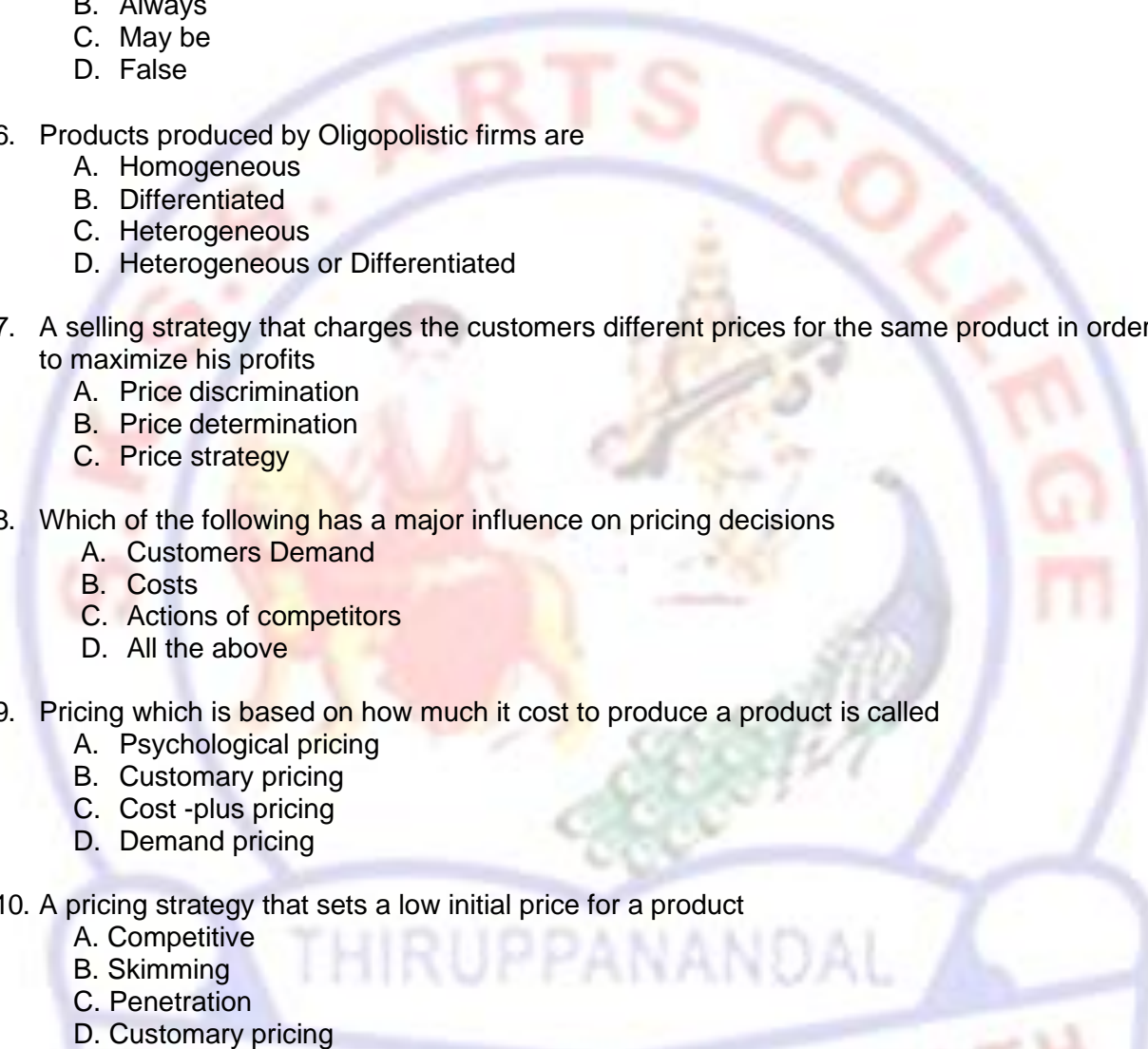
### ESSAY TYPE QUESTIONS (10 MARKS)

31. Define production function and explain its advantages.
32. Briefly explain the various techniques of cost reduction.
33. Explain the various types of production function.
34. State the reason why the supply curve slopes upwards.
35. Discuss the factors that affect supply.
36. What is supply curve and explain its characteristics?
37. What is cost and explain its classification?
38. Difference between economies and diseconomies of scale.
39. Explain the important techniques of cost control.
40. Discuss the various techniques of cost reduction.

### UNIT- III

#### CHOOSE THE CORRECT ANSWER

1. Which of the following cannot be classified as Market structure
  - A. Monopolistic competition
  - B. Oligopoly
  - C. Monopoly
  - D. Communism
2. A Perfective competitive firm will maximize profit at the quantity at which firm marginal revenue equals
  - A. Price
  - B. Average revenue
  - C. Marginal cost
  - D. Total cost
3. Which of the following is the best example of a perfectly competitive market
  - A. Diamond
  - B. Shoes
  - C. Soft drinks
  - D. Farming

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4. Marginal for a monopolist is
- A. Equal to price
  - B. Greater than price
  - C. Less than price
  - D. Greater than average revenue
5. A Monopoly is a market structure in which there is not only one producer/seller for a product
- A. True
  - B. Always
  - C. May be
  - D. False
6. Products produced by Oligopolistic firms are
- A. Homogeneous
  - B. Differentiated
  - C. Heterogeneous
  - D. Heterogeneous or Differentiated
7. A selling strategy that charges the customers different prices for the same product in order to maximize his profits
- A. Price discrimination
  - B. Price determination
  - C. Price strategy
8. Which of the following has a major influence on pricing decisions
- A. Customers Demand
  - B. Costs
  - C. Actions of competitors
  - D. All the above
9. Pricing which is based on how much it cost to produce a product is called
- A. Psychological pricing
  - B. Customary pricing
  - C. Cost -plus pricing
  - D. Demand pricing
10. A pricing strategy that sets a low initial price for a product
- A. Competitive
  - B. Skimming
  - C. Penetration
  - D. Customary pricing

**Answers:** 1.D 2.C 3.D 4.A 5.D 6.D 7.A 8. D 9. B 10.C



### **SHORT QUESTIONS (2 MARKS)**

11. Write a note on price and output decisions.
12. State the different forms of market.
13. Write a note on Perfect Competition.
14. State any three features of Perfect Competition.
15. Define Monopoly.
16. What does Oligopoly mean?
17. Define Monopolistic Competition?
18. What is meant by price discrimination?
19. Write a note on differential price
20. What is meant by price forecasting?

### **PARAGRAPH QUESTIONS (5 MARKS)**

21. Analyse the factors influencing the price of product.
22. Explain the importance of perfect competition in managerial economics.
23. What is monopoly? Explain how price is determined under monopoly firm.
24. List out the striking features of an oligopoly market.
25. Analyse the features of monopoly.
26. Discuss the short run cost out relationship with illustration.
27. Explain the characteristics of monopolistic competition.
28. Explain any two types of pricing strategies.
29. State the advantages of differential pricing.
30. Discuss any two methods of price forecasting.

### **ESSAY TYPE QUESTIONS (10 MARKS)**

31. Discuss about price and output decisions under perfect competition.
32. Discuss price and output determination in monopolistic competition.
33. Explain briefly how price and output is determined under monopoly.
34. What do you mean by oligopoly? Discuss the pricing under oligopoly.
35. Explain the advantages and disadvantages of being monopolistic.
36. Explain the various types of discrimination.
37. Explain the difference between price discrimination and price differentiation.
38. Discuss the objectives of pricing policies.
39. Discuss the various types of pricing strategies.
40. Discuss the various techniques of price forecasting.

**UNIT- IV**  
**CHOOSE THE CORRECT ANSWER**

1. It is the surplus revenue after the firm has paid all the costs
  - A. Profit
  - B. Profit policies
  - C. Theories of profit
  - D. Profit earned
  
2. Profit is the reward for risk bearing which is the most important function of an entrepreneur
  - A. F.B Hawley
  - B. Adam smith
  - C. Rothschild
  - D. William Fellner
  
3. A set of actions taken to achieve the targeted profit level
  - A. Profit forecasting
  - B. Profit planning
  - C. Profit policies
  - D. Profit objectives
  
4. Who introduced leisure as an alternative policy to profit maximization?
  - A. Rothschild
  - B. William Fellner
  - C. T. Scitovsky
  - D. W.W. Cooper
  
5. A projection of future earnings after considering all the factors affecting the size of business profits
  - A. Profit forecasting
  - B. Profit planning
  - C. Profit earning
  - D. Profit maximization
  
6. The three approaches to profit forecasting are
  - A. Spot projection
  - B. Break-even analysis
  - C. Environmental analysis
  - D. All the above
  
7. Profit is equal to the sale of the product minus all those operating and other expenses like fixed cost, variable cost and taxes
  - A. Profit forecasting
  - B. Profit policies
  - C. Profit measurement
  - D. Profit planning
  
8. How is economic rent calculated?
  - A. Economic rent = Marginal product – Opportunity cost
  - B. Economic rent = Cost+ Producing one additional unit
  - C. Economic rent = Fixed profit – Opportunity cost
  - D. Economic rent = Variable cost – Opportunity cost

9. Profit is the reward for innovation
- Schumpeter
  - Adam Smith
  - Karl Max
  - Milton Friedman
10. The essential elements in profit planning are
- The system should become the major framework in guiding and controlling the management performance
  - The system should be totally pervasive in framing objectives
  - Planners have been trained in economics or associated disciplines
  - All the above

**Answers:** 1.A 2.A 3.B 4.C 5.A 6.D 7.C 8.A 9.A 10.D

### **SHORT QUESTIONS (2 MARKS)**

- What is meant by profit?
- List out the various types of profit.
- Why profit planning is required?
- Define profit policy.
- Explain the nature of profit.
- What is meant by interest?
- What is meant by profit measurement?
- What is profit forecasting?
- State the theories of profit.
- State the theories of rent.

### **PARAGRAPH QUESTIONS (5 MARKS)**

- Define profit and explain its nature.
- Explain the various types of profit.
- Narrate the objectives of profit planning in managerial economics.
- What purpose do the profit policies serve in managerial economics?
- Explain the advantages of profit forecasting.
- Explain the methods of profit forecasting with suitable examples.
- Discuss the methods used in measurement of profit.
- What are the problems in measurement of profit?
- Discuss the theories of rent in managerial economics.
- Explain the theories of profits in managerial economics.

### **ESSAY TYPE QUESTIONS (10 MARKS)**

- Discuss the various types of profit.
- Briefly explain the characteristics of profit.
- Define profit and explain its functions.
- Explain the importance of profit planning in managerial economics.
- Explain clearly the profit policy of a business.
- Briefly explain the various methods of forecasting profits.
- Explain the nature and measurement of profits in managerial economics.
- Discuss the various ways to measure profit.
- Explain the modern theories of rent.
- Explain the various theories in profit.

## UNIT- V

### CHOOSE THE CORRECT ANSWER

1. The low point in the business cycle is referred to as the
  - A. Expansion
  - B. Boom
  - C. Trough
  - D. Peak
2. One of the first organizations to investigate the business cycle is
  - A. Federal reserve system
  - B. National Bureau of economic advisors
  - C. The council of economic advisors
  - D. The Brookings institution
3. Which of the following is not a forecasting technique?
  - A. Judgemental
  - B. Time series
  - C. Time horizon
  - D. Associate
4. Which of the following is not true for forecasting?
  - A. Forecasts are rarely perfect
  - B. The underlying casual system will remain same in future
  - C. Forecast for group of items is accurate than individual item
  - D. Short range of forecasts is less accurate than long range forecasts
5. An analysis is much helpful in determining the impact of several major exogeneous variables in the economy
  - A. Input analysis
  - B. Input-Output analysis
  - C. Output analysis
  - D. None of the these
6. The average income of the country is called
  - A. Per capita income
  - B. Disposable income
  - C. Inflation rate
  - D. Real national income
7. The value of national income adjusted for inflation is called
  - A. Per capita income
  - B. Disposable income
  - C. Inflation rate
  - D. Real national income
8. An accounting refers to book keeping system that government uses to measure the level of country's economic activity in a given time period
  - A. Accounting standards
  - B. National income accounting
  - C. Management Accounting
  - D. Financial Accounting

9. Which statement is correct?
- A. National Income = National expenditure – Indirect taxes
  - B. NI = GNP – NNP
  - C. NI = NNP – Indirect taxes
  - D. NI = PI
10. There are ----- ways of measuring national income of a country
- A. 5
  - B. 2
  - C. 1
  - D. 3

**Answers:** 1.C 2.C 3.C 4.D 5.B 6.A 7.D 8. B 9. C 10.D

### **SHORT QUESTIONS (2 MARKS)**

- 11. What is meant by Business cycle?
- 12. What is recession in Business cycle?
- 13. What is economic forecasting of a business?
- 14. Why is economic forecasting difficult?
- 15. What is input-out analysis?
- 16. What is input in economics?
- 17. Define National Income.
- 18. How do we measure the National Income?
- 19. What is meant by National Income Accounting?
- 20. What are the three methods of measuring National Income?

### **PARAGRAPH QUESTIONS (5 MARKS)**

- 21. Explain the importance of Business cycle.
- 22. Discuss the features of Business cycle.
- 23. Explain the advantages of economic forecasting.
- 24. Explain the main objective of economic forecasting.
- 25. Discuss the advantages of Input- Out analysis.
- 26. Explain the methods of Input- Out analysis.
- 27. Analyze the factors that influence the National Income.
- 28. Narrate the importance of National Income Accounting.
- 29. Explain the uses of National Income Accounting.
- 30. Narrate the methods of measuring the National Income.

### **Essay Type Questions (10 Marks)**

- 31. What is meant by Business cycle and explain its importance.
- 32. Briefly explain the phases of Business Cycle.
- 33. Explain the importance of economic forecasting.
- 34. Briefly explain the techniques of economic forecasting.
- 35. Explain the uses of Input- Out analysis.
- 36. Explain Input- Out analysis. What are its assumptions?
- 36. Analyze the difficulties in the computation of National Income.
- 37. How far is National Income a reliable index of economic welfare? Discuss
- 38. Explain the purpose of National Income Accounting.
- 39. Explain the methods of National Income Accounting.
- 40. Narrate the conceptual difficulties in measuring National Income.