JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION FOR DEGREE OF MASTER OF BUSINESS ADMINISTRATION

1ST YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR

BUSIA LEARNING CENTRE

COURSE CODE: MBA 802

COURSE TITLE: MANAGERIAL ECONOMICS

EXAM VENUE:--- **STREAM: (BBA – FINANCE)**

DATE: 15/12/16 **EXAM SESSION: 2.00 – 5.00PM**

TIME : 3.00 HOURS

Instructions:

1. **Answer any FOUR Questions**
2. **Candidates are advised not to write on the question paper.**
3. **Candidates must hand in their answer booklets to the invigilator while in the examination room.**

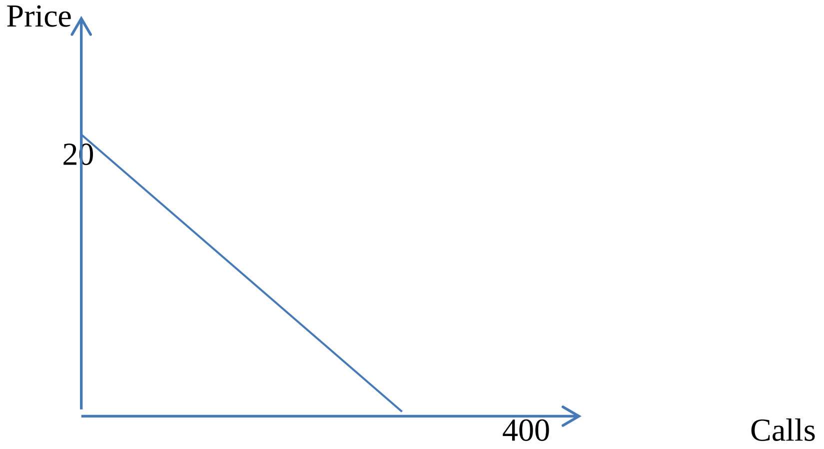
QUESTION ONE

Write short notes on the following:

a) The nature and scope of Managerial Economics and how it differs from Micro economics (5 marks)
b) Empirical Production Function and the optimum combination of inputs with diagrams (5 Marks)
c) How price and output is determined in short and long run in Monopoly Competition (5 marks)

QUESTION TWO:

The following figure shows Jack's demand curve for mobile telephone calls.



a) Identify his buyer surplus if the price of mobile telephone calls is 10 cents a minute, and he buys 200 minutes a month (4 Marks)
b) If you were the manager of a mobile phone company, how would you use both package deal and two-part pricing to reduce Jack's buyer surplus and to raise its own revenue (6 marks)
c) With the help of diagrams distinguish between Elasticity and Inelasticity of Demand? Explain Price, Cross and Income Elasticity of Demand as used in managerial decision making process. (6 marks

QUESTION THREE:

For many years, Goal Maria FC had a monopoly over football and consequently monopsonized the market for players. This monopsony over players began to erode in 1967 with the formation of Leoparda FC. Finally in 1983, football team owners agreed to allow free agency, which removed the restrictions against players moving between teams. An analysis of earnings showed that a player who scored 10% more points would have earned 2.05% more salary between 1968 and 1975, but 3.21% more salary between 1984 and 1988.

a) Explain the connection between having a monopoly over football and a monopsony over football players. (5 marks)

b) Compare the wage rate when the demand side of the market is a monopsony with the perfectly competitive wage.

(4 marks)

c) Explain the differences in player earnings between 1968-1975 as compared with 1984-1988.

(3 marks)

d) When the Goal Maria FC and Leoparda FC proposed to merge, the football players opposed the proposal. Explain why? (3 marks)

QUESTION FOUR:

a) Complete the following table

Q	TR	TC	TVC	ATC	AVC	TFC	AFC	P
2000	4000		3600	2.2				

Q: Quantity: TR: Total Revenue: TC: Total Cost: TVC: Total Variable Cost: ATC: Average Total Cost: AVC: Average Variable Cost: TFC: Total Fixed Cost: AFC: Average Fixed Cost: P: Price: MC: Marginal Cost. (3 marks)

b) A perfectly competitive firm currently faces conditions shown in the above table. At its current quantity level of production, the AVC of the firm is minimized suggesting that its MC equals its AVC. If you were the consultant hired by the firm, would you suggest to the firm manager to change production level in the short run? Explain why?

(4 marks)

c) Please graphically analyse the impacts of the following simultaneous events on the equilibrium price and equilibrium quantity in the sugar market:

i) Development of a new zero-calorie sweetener (4 marks)

ii) Cut in the wages of farm workers (4 marks)

QUESTION FIVE

a) The Oligopoly Model (7 marrks)

b) The cost of capital, its structure and role in international competitiveness

(8 marks)