



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR
MASTERS IN BUSINESS ADMINISTRATION

BMS 5102: MANAGERIAL ECONOMICS

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 3 HOURS

INSTRUCTIONS:

- Attempt question **ONE (Compulsory)** and any other **THREE** questions
- Do not write on the question paper.

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

- a) What factors are likely to limit demand forecast of a given product. **(6 marks)**
- b) Examine the sufficient condition for profit maximization of a firm in perfect competition. **(6 marks)**
- c) Examine factors that are likely to influence a firms cost behaviour and also identify the cost centres that need monitoring. **(13 marks)**

QUESTION 2

- a) The demand for a commodity x is given as

$$Q_x = 120 - 50P_x - 15Y + 40P_2 + 60A$$

Where

$Q_x \rightarrow$ Total Quantity of good x demanded

$P_x \rightarrow$ Price of good x

$Y \rightarrow$ Consumer Income

$P_2 \rightarrow$ Price of good Z

$A \rightarrow$ Advert Expenditure

Compute all the elasticities given the following initial values:
 $P_x \Rightarrow 5/2$; $P_z \Rightarrow 7/2$; $Y = 1,000/-$; $A = 500$ and explain the relationship between good x and good y. **(8 marks)**

- b) Examine the importance of elasticity of demand. **(5 marks)**
- c) Explain various ways through which managers can influence profits in the firm. **(12 marks)**

QUESTION 3

- a) Examine factors considered when formulating prices of goods and services in a given market structure. (10 marks)
- b) Examine the demand and cost theories which constitute areas of managerial economies. (10 marks)
- c) Examine FIVE sources of monopoly power. (5 marks)

QUESTION 4

- a) A firm operating in two markets A and B where demand for the commodity in markets are given as

$$P_A = 100 - \frac{1}{2}Q \quad 3Q = 900 - 3P$$

If total cost: $TC = 20Q + 750$ compute the profit maximizing output and price and calculate the profits. **(7 ½ marks)**

- b) Examine the law of diminishing marginal product to a variable factor input. **(7 ½ marks)**
- c) Examine the economic implications of some County Governments' overexpenditure. **(10 marks)**

QUESTION 5

- a) Examine the least-cost factor combination of a firm. **(10 marks)**
- b) Examine the role of models in Managerial Economics and their limitations. **(15 marks)**