



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies
DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR
MASTERS OF BUSINESS ADMINISTRATION

BMS 5101: MANAGERIAL ECONOMICS

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: MARCH 2015

TIME: 3 HOURS

INSTRUCTIONS:

– Answer any **FOUR** questions.

This paper consists of Two printed pages

QUESTION 1

a) Managerial economics has been defined as an integration of economic theory with business practice for the purpose of facilitating appropriate decision making. Elaborate with practical examples. **(8 marks)**

b) From the data below project the value of export sales for the year 2014. **(10 marks)**

Year	2007	2008	2009	2010	2011	2012	2013
Exports (Ksh. Million)	12	14	17	15	19	20	24

c) Explain the least cost factor combination using diagrams. **(7 marks)**

QUESTION 2

- a) From the following Cobb-Douglas production function compute the MP_L , MP_K , AP_L , AP_K .

$$Q = 180L^{0.45} K^{0.55}$$

(6 marks)

- b) Other than profit maximization, examine **FOUR** other objectives a firm's management may pursue.

(6 marks)

- c) Examine **FOUR** challenges facing East African Community intergration and suggest **FOUR** solutions to the drawbacks.

(13 marks)

QUESTION 3

- a) A firms cost is given as $C = 750 + 20Q$. If its product price is $P = 100 - \frac{1}{2}Q$ determine the profits maximizing output and price. Compute the maximum profits.

(7 marks)

- b) Discuss the importance of cost analysis with specific areas of cost control.

(12 marks)

- c) Examine **FOUR** sources of monopoly power and **TWO** benefits of monopoly to the society.

(6 marks)

QUESTION 4

- a) Compare and contrast any **TWO** investment appraisal techniques.

(8 marks)

- b) Examine the importance of forecasting to a firm's management.

(9 marks)

- c) Examine the longrun equilibrium of a marginal firm.

(8 marks)

QUESTION 5

- a) Examine the signaling and screening hypothesis with respect to the handling of staff issues by a firm's management.

(8 marks)

- b) Examine the importance of break-even analysis and also highlight its limitations.

(11 marks)

- c) Examine **FOUR** challenges of investment level in less developed countries.

(6 marks)