



**TECHNICAL UNIVERSITY OF MOMBASA**  
*Faculty of Business & Social Studies*

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR  
MASTERS OF BUSINESS ADMINISTRATION

**BMS 5101: MANAGERIAL ECONOMICS**

END OF SEMESTER EXAMINATIONS

**SERIES:** AUGUST 2013

**TIME:** 3 HOURS

**INSTRUCTIONS:**

– Answer any **FOUR** questions.

***This paper consists of Two printed pages***

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**QUESTION 1 (Compulsory)**

- Discuss the various areas of uncertainty that confront management role as a co-ordination of the firm resources. (6marks)
- What factors are likely to limit the quality of a demand forecast. (8marks)
- TUM's restaurant at Kiziwi has collected data on the prices of meals and the average number of meals served per day for a random sample of the last eight months of 2012.

Month	meals/day	Price(ksh)
May	100	15
June	90	18
July	85	
August	110	19
September	120	14
October	90	13
November	106	19
December	100	14

- Using the regression analysis estimate the demand function. (8marks)

- ii) Based on the computed equation compute the point price elasticity at the mean value of the variable (3marks)

## QUESTION 2

- a) How is the law of Diminishing marginal returns related to the shape of the short-run marginal cost curve. (8marks)
- b) Examine the law of diminishing returns in decision making and point out its underlying assumptions. (12marks)
- c) With well labeled diagrams examine the properties of isoquants. (5marks)

## QUESTION 3

- a) A project cost is Ksh 250,000 now and it is expected to generate ksh 90,000;80,000,70,000,6000 and 30,000 from year 1 to year 5. The opportunity cost is 10%. Evaluate the feasibility of the project using NPV and highlight the merits and demerits of NPV. (11marks)
- b) Profit maximizing will always remain the critical objectives of firms in spite of other objectives. Comment with examples. (6marks)
- c) How can managers in their docket influence magnitude of profits. (8marks)

## QUESTION 4

- a) Examine the various approaches used in determining prices under oligopoly market structure. (3marks)
- b) Explain the main features of oligopoly market structures. (4marks)
- c) i) Compute the price output and profits for a monopolist firm operating in TWO markets if Total cost is  $MK+1: Q = 1800 - 2P$  and  $200Q + 500$   $MK+2: 1/3p = 700 - Q$  (10marks)
- ii) Examine the necessary conditions for price discrimination and point out Justification. (8marks)

## QUESTION 5

- a) Examine the critical factors that affect pricing decisions. (12marks)
- b) What do you understand by skimming price strategy. (7marks)
- c) Examine importance of cost analysis to managers. (9marks)