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| **SESSION** | **JUL - AUG 2024** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **I** |
| **COURSE CODE & NAME** | **DMBA111 MANAGERIAL ECONOMICS** |
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**1. Define the term ‘managerial economics’. Explain significance of the study of managerial economics. (2+8)**

**Ans 1.**

**Definition of Managerial Economics**

Managerial Economics is a branch of economics that applies microeconomic and macroeconomic theories, principles, and methodologies to solve practical problems in business and management. It bridges the gap between economic theory and managerial practice, helping decision-makers in understanding and solving real-world challenges to maximize organizational goals. Managerial economics focuses on demand analysis, production, cost management, pricing strategies, and profit maximization to ensure sound

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**2. Define production function. State types and uses of production function.(2+4+4)**

**Ans 2.**

**Definition of Production Function**

The production function is a mathematical relationship that explains the output produced by a firm as a function of its input factors, such as labor, capital, land, and raw materials. It illustrates the maximum output that can be achieved with a given combination of inputs, assuming efficient utilization of resources and a specific state of technology. The production function is typically expressed as:

Q=f(L,K,R,T)

where Q is the quantity of output, L is labor, K is capital, R is raw materials, and T is

**3. Explain different types of cost.(10)**

**Ans 3.**

**Different Types of Cost**

Costs are the expenses incurred by businesses in the process of producing goods and services. Understanding the types of costs is crucial for effective decision-making, pricing, and profit maximization. Costs can be classified based on their behavior, traceability, and function. Below are the primary types of costs:

**1. Fixed Costs**

Fixed costs remain constant irrespective of the level of production or output. These costs do not vary in the short run and must be paid even if no production occurs. Examples include

**4. Explain causes of inflation in detail.(10)**

**Ans 4.**

**Causes of Inflation**

Inflation is the sustained rise in the general price level of goods and services in an economy over a period of time. It reduces the purchasing power of money and affects individuals, businesses, and governments. Understanding the causes of inflation is vital for implementing effective policies to manage it. The primary causes of inflation can be broadly categorized into demand-pull, cost-push, and structural factors.

**1. Demand-Pull Inflation**

Demand-pull inflation occurs when aggregate demand in an economy exceeds aggregate

**5. Explain different objectives of pricing policies.(10)**

**Ans 5.**

**Different Objectives of Pricing Policies**

Pricing policies refer to the strategies and methods businesses adopt to set the prices of their products or services. These policies are influenced by a company’s overall objectives, market dynamics, competition, and customer expectations. Effective pricing policies play a crucial role in achieving financial and strategic goals. Below are the key objectives of pricing policies:

**1. Profit Maximization**

One of the primary objectives of pricing policies is to maximize profit. Businesses aim to set

**6. Define monetary policy. State the objectives of monetary policy in developing countries. (2+8)**

**Ans 6.**

**Definition of Monetary Policy**

Monetary policy refers to the process by which a central bank, such as the Reserve Bank of India (RBI), controls the money supply, interest rates, and credit availability to achieve specific economic objectives. It is a critical tool for managing inflation, unemployment, economic growth, and financial stability.

**Instruments of Monetary Policy**: These include quantitative tools like open market