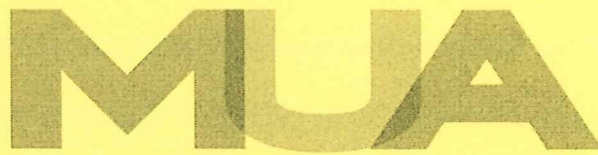


The
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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

**DEGREE OF MASTER OF BUSINESS ADMINISTRATION AND
MASTER OF MANAGEMENT AND LEADERSHIP**

MBA 509: MANAGERIAL ECONOMICS

DATE: 3RD APRIL 2024

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided

QUESTION ONE

Read the Case Study below carefully and, answer the questions that follow:

- A)** Despite stiff increase in tariff by Daadview (DD) in March 2023 actual revenue declined.

This study indicated that the number of small and medium advertisers which was on the increase before the tariff hike has now been on decline. Further there has also been a noticeable shift in favor of 20- and 10-seconds spots from 30 or more seconds spots before the hike in tariff. The study found that there has been a steep decline in the actual number of advertisements on Daadview. This is across all TV centers and program segments. But it was more significant in the case of channel II of Nairobi and Bombad.

The second channel of Bombad DD TV had no advertisements since the increase in tariff as against revenue of Ksh.15, 000/- to Ksh.20, 000/- per month in the corresponding months of the previous year.

In case of Nairobi DD TV's second channel, the number of advertisements declined from a rate of 40 to 65 per month in May to July 2022 to a rate of 12 to none between May to July 2023. Even the actual revenue has fallen. It was about Ksh.55, 000/- to 71,000/- per month in May-June period of 2022. In the current year, however, it developed to Ksh.28, 000/- in June and was nil by July 2023.

Required:

- i. Describe what happened to revenue after tariff hike for advertisement in DD?
(3 Marks)
- ii. Is the price-elasticity of demand for DD TV advertisements high/low/zero?
Justify your choice (3 Marks)
- iii. What tariff (or price) policy should DD follow for TV advertisements?
(4 Marks)

B) A firm can manufacture a product according to the production function

$$Q = F(K, L) = K^3/4L^1/4$$

- i) Calculate the average product of labor, APL, when the level of capital is fixed at 16 units and the firm uses 16 units of labor. How does the average product of labor change when the firm uses 81 units of labor? (5 Marks)
- ii) Find an expression for the marginal product of labor, MPL, when the amount of capital is fixed at 16 units. Then, illustrate that the marginal product of labor depends on the amount of labor hired by calculating the marginal product of labor for 16 and 81 units of labor. (5 Marks)
- C) Discuss different types of Profit Theories and their significance (5 Marks)
- D) Discuss relationship between Budget Line and Indifference Curve (5 Marks)

QUESTION TWO

- A) Managerial economics is the integration of economic theory with business practices for the purpose of facilitating decision-making and forward planning by managers-Discuss. (3 Marks)
- B) Using and illustration diagram, explain the three stages of production. (7 Marks)
- C) Discuss general properties of Isoquants (5 Marks)

QUESTION THREE

- A) Examine the usefulness of break-Even Analysis (5 Marks)
- B) Define price discrimination? Discuss who can exercise price discrimination and in which market structure it can be exercised? (5 Marks)
- C) Justify the significance of national income analysis in managerial economics. (5 Marks)

QUESTION FOUR

A) The following information is given:

Bridal Shoppe sells wedding dresses. The cost of **each** dress is comprised of the following: Selling price of Ksh1,000 and variable (flexible) costs of Ksh400. Total fixed (capacity-related) costs for Bridal Shoppe are Ksh 90,000.

i) Compute the contribution margin per dress? **(2 Marks)**

ii) What is the Bridal Shoppe's total profit when 200 dresses are sold? **(2 Marks)**

iii) How many dresses must Bridal Shoppe sell to reach the breakeven point?

(2 Marks)

iv) How many dresses must Bridal Shoppe sell to yield a profit of Ksh 60,000?

(2 Marks)

B) Explain the law of variable proportions with its various stages. What are the basic assumptions behind this law? **(7 Marks)**