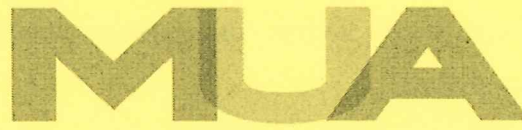


The
Management
University
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POST GRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF MASTER OF BUSINESS ADMINISTRATION

MBA 509: MANAGERIAL ECONOMICS

DATE: 10TH DECEMBER 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 on market structure carefully and, answer the questions that follow:

A) Pricing Strategy for a New Product

ABC Electronics is about to launch a new smart device. The company needs to determine the optimal price to charge for the product to maximize profit. Market research has provided the following information:

- **Estimated Demand Function:** $Q = 500 - 5P$
(where Q is the quantity demanded, and P is the price of the product).
- **Cost Function:** $C(Q) = 1000 + 10Q$
(where C is the total cost of producing Q units of the product, and the fixed cost is \$1000).

The management must decide the best price to charge for the new product. They want to maximize profit but also stay competitive.

Required:

- i) Determine the price which the company should set to maximize profit (4 Marks)
- ii) Calculate the quantity which will be demanded at this price (3 Marks)
- iii) Calculate the profit at this optimal price (3 Marks)

B) The Engel Curve represents the relationship between a household's income and its consumption of a particular good. Discuss with illustration how its derived (5 Marks)

C) Production in the long run refers to the period in which all factors of production (labor, capital, land, etc.) can be varied, allowing firms to fully adjust their production processes. Unlike the short run, where at least one factor of production is fixed, the long run offers businesses the flexibility to scale operations up or down, invest in new technologies, and enter or exit markets. Discuss Key concepts of Long-Run Production with examples.

(5 Marks)

- D) Discuss Monopolistic Competition with relevant examples (5 Marks)
- E) Theories of profit in economics explore the reasons behind profit generation, its measurement, and its implications for businesses and the economy as a whole. Discuss the main theories of profit: (5 Marks)

QUESTION TWO

- a) Cost-Volume-Profit (CVP) analysis is a managerial accounting technique used to understand the relationships between cost, revenue, and profit. Discuss the primary objectives of CVP analysis (5 Marks)
- b) Social Cost-Benefit Analysis (SCBA) is an economic tool used to evaluate the total social costs and benefits associated with a project or policy. It aims to assess the economic efficiency of investments by considering both private and external effects on society. Explain Key components of SCBA, Applications and challenges of SCBA (5 Marks)
- c) Government policies significantly impact international trade through various mechanisms. Examine key ways in which they influence trade dynamics (5 Marks)

QUESTION THREE

- a) International finance is a vital field within economics that focuses on the financial interactions and transactions that occur between countries. It encompasses a broad range of topics, including international trade, exchange rates, foreign investment, and the role of financial institutions in the global economy. Discuss (5 Marks)
- b) The changing environment of managerial economics refers to the dynamic factors and conditions that influence managerial decision-making and economic outcomes within an organization. This environment is continually evolving due to various internal and external influences. Discuss the key aspects of this changing environment: (5 Marks)

- c) Utility maximization is a key concept in economics that explains how individuals make decisions to achieve the highest level of satisfaction (or utility) from their choices. Explain key elements of utility maximisation in economics (5 Marks)

QUESTION FOUR

- a) In economics, production in the short run refers to the period during which at least one factor of production is fixed, while others can be varied. This concept is crucial for understanding how firms respond to changes in demand, input costs, and production technologies. Give your take on the characteristics of short run production and short run supply curve. (5 Marks)
- b) Perfect competition is an idealized market structure that serves as a benchmark for evaluating other market types. It features several key characteristics. Discuss (5 Marks)
- c) Capital budgeting is a crucial process for organizations and businesses as it involves evaluating and selecting long-term investments that will yield the best returns. Discuss its significance (5 Marks)