



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2020_1 EXAMINATION**

COURSE TITLE: MANAGERIAL ECONOMICS

COURSE CODE: ECO 824

UNITS: 3.

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER QUESTION (ONE) AND ANY OTHER (THREE)

Question 1

1(a) Define Total Revenue (TR). **(5Marks)**

1(b) Define Marginal Revenue (MR). **(5Marks)**

1 (c) Find the level of quantity for which revenue will be maximized if the price function is given by $P = 100 - 5Q$. **(10Marks)**

1 (d) Obtain the maximum Total Revenue (TR) from the maximum quantity obtained from 1 (c) above. **(5Marks)**

Question 2

The scope of managerial economics extends to those economic concepts, theories, and tools of analysis used in analysing the business environment, and to find solutions to practical business problems. In line with this concept, outline the scope of Managerial Economics in relation to internal and external issues. **(15 marks)**

Question 3

With the aid of a diagram explain the Short Run Monopoly Equilibrium with Positive Profit **(15 mark)**

Question 4

a) Distinguish between certainty and uncertainty in decision analysis **(5 marks)**

b) A simple macroeconomic model is given as $Y = C + I + G + X$; where, Y= Gross National Product (GNP); C = Total consumption expenditure; I = Gross Private Investment; G = Government expenditure; X = Net Export ($X - M$), where X represents Export, and M, Import. Subscript t represents a given time unit. Such as: $C = a + bY$; $I = 20$; $G = 10$;

$X = 5$.

Find;

- i. the value of Gross National Product (GNP) **(6 marks)**
- ii. total consumption expenditure **(4 marks)**

Question 5

a) Derive and explain the relationship between the price elasticity of demand and marginal revenue. **(10 marks)**

b) What factors determine the price elasticity of demand for a product? **(5 marks)**

Question 6

Explain briefly and distinguish between

- a) Opportunity Costs and Explicit Costs (**4 marks**)
- b) Short-run Cost and Long-run Costs (**4 marks**)
- c) Fixed Costs and Variable Costs (**4 marks**)
- d) Private Costs and Social Costs (**3 marks**)