COURSE TITLE: MANAGERIAL ECONOMICS
COURSE CODE: ECO 332
UNITS: 2
TIME ALLOWED: 2 HOURS
INSTRUCTION: ANSWER THREE (3) QUESTIONS. QUESTION ONE IS COMPULSORY.

1(a) There are two major conditions that must be fulfilled for profit to be maximized. State and explain these conditions with equations and graphs where applicable. (**10 marks**)

1(b) Explain the following terms (with equations and graphs where applicable). (**3 marks each**)

(i) Linear Demand function (ii) Arc Elasticity (iii) Market Demand (iv) Short-term and Long-term Demand. (v) Pecuniary Economies of Scale.

1(c) List and explain three (3) major contributions of economic theory to business economics (**5marks**)

2 Suppose the cost function of MD Company PLC which produces two goods, X and Y, is given as: $C = 4X^2 - 2XY + 6Y^2$. If the company must meet a combined order of 36 units of the two goods, find an optimum combination of the products X and Y that minimizes the cost of production. (**20 marks**)

3(a) As a manager of a firm facing competition, you need to know the factors that can affect the demand for your products in the market so as to rise above the other competitors. Discuss. (**15 marks**)

3(b) Diseconomies of scale represent disadvantages that arise due to the expansion of scale of production, leading to a rise in production cost. Discuss. (**5 marks**)

4(a) Calculate the Profit Volume (PV) ratio if selling price (S) and Average Variable cost (V) are N10 and N6 per unit respectively. (**10 marks**)

4(b) In a tabular form, state what happens to total revenue, when there is an increase and decrease in price of a commodity in situations where the commodity's price elasticity (e_p) is 0, 1, <1, >1 and ∞. (**10 marks**).