NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2024_2 EXAMINATION

COURSE TITLE:	**MANAGERIAL ECONOMICS**
COURSE CODE:	**ECO 332**
CREDIT UNITS:	**2 UNITS**
TIME ALLOWED:	**2 HOURS**
INSTRUCTION:	**ANSWER QUESTION ONE AND ANY OTHER TWO (2) QUESTIONS**

QUESTION ONE

a) Explain the difference between accounting profit and economic profit, providing formulae for each. (5 marks)
b) Discuss two theories of profit presented in the content. (5 marks)
c) Explain what monopoly profit is, and list two factors that can lead to the existence of a monopoly. (3 marks).
d) Suppose that the unit price of a commodity is defined by:
$P = 100 - 2Q$
Suppose also that the total cost of producing this commodity is defined by the cost function:
$TC = 100 + 0.5Q^2$
You are required to apply the first-order condition for profit maximisation and determine the profit-maximising level of output. (17marks)

QUESTION TWO
a) Define "states of nature" in the context of decision analysis. (2 marks)
b) Differentiate between decision-making under certainty and uncertainty. Provide an example for each. (4 marks)
c) In the given case of an investor, explain how the investor identifies the states of nature for their investment decision-making and how they use this information in selecting the best investment.
(4 marks)
d) Based on the decision-making process of the managing director of the manufacturing company, explain the steps involved in creating a payoff table and calculate the payoff measure for each potential plant site (Site A, Site B, and Site C). (10 marks)

QUESTION THREE

a) Explain how a firm uses price-elasticity of demand to maximise revenue and illustrate this concept using the relationship between elasticity, price changes, and total revenue.
(7 marks)

b) Define income-elasticity of demand and discuss its significance in long-term planning and demand forecasting. How does income-elasticity of demand differ for normal goods, necessities, comforts, and luxuries? (7 marks)

c) What is the concept of advertisement- or promotional-elasticity of sales? Discuss some of the factors that influence the advertisement-elasticity of sales. (6 marks)

QUESTION FOUR

a) Define and distinguish between the following cost concepts:

i) Opportunity Cost and Actual or Explicit Cost (2 marks)

ii) Business and Full Costs (2 marks)

iii) Explicit and Implicit Costs (2 marks)

iv) Fixed and Variable Costs (2 marks)

b) Explain the relevance and significance of the concept of social costs in the cost-benefit analysis of a firm's operation in society. Provide an example of a social cost. (6 marks)

c) Briefly explain the concept of marginal cost and how it can be computed. (6 marks)