SOUTH EASTERN UNIVERSITY OF SRI LANKA

SECOND YEAR EXAMINATION IN BACHELOR OF BUSINESS ADMINISTRATION (EXTERNAL) – 2008 / 2009 HELD IN AUGUST - 2009

BBA 26 – MANAGERIAL ECONOMICS

Answer **all** questions.   Calculator is allowed

Time: 03 hours

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01.   (a)   Show the derivation of individual demand curve and income demand curve from Indifference curve analysis.

(04 Marks)

(b)   Consider an individual who consumes two goods X and Y. His utility function takes the form;

$$U = X^{0.4} \, Y^{0.6}$$

and budget constraint M = Px. X+Py. Y where M = Income, Px = Price of goods X and Py = Price of good Y. Assume utility is maximized by choosing X and Y.

i)   Derive the equilibrium of consumer

(02 marks)

ii)   Find out the amount of goods X and Y.

(04 marks)

iii)   Derive the Marshalian demand function for goods X and Y.

(04 marks)

iv)   Using demand function obtained above, assuming the unit prices of X and Y are Rs. 100/- and Rs. 50/- respectively and the level of disposable income is Rs. 5000/- find out the optimum combination of goods X and Y.

(03 marks)

v)   Consumer income and price of X has no change, but price of Y changes to 60/=,85/=,90/=,98/=,102/=. Using demand function of good Y, you prepare the price demand schedule for the commodity Y.

(03 marks)

02. (a) Briefly explain the following kinds of pricing.

      (i) Penetration Pricing

      (ii) Administrative Pricing

      (iii) Odd Pricing

      (iv) Monopoly Pricing

      (v) Expected Pricing

(5 x 2 = 10 marks)

    (b) Explain how the price of a product is determined by using Product Life Cycle Model.

(10 marks)

03. (a) The following is the quantity data of biscuit packets sold by a company.

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Quantity (000units)	180	200	160	140	100	120	160	180	170	140

Forecast the demand of biscuit packets for the following years 2010, 2012, 2015 and 2019.

(08 marks)

    (b) XYZ (PVT) Ltd has decided to forecast the needed computer Printer Toners for SEUSL. It gives the following past data.

Year	Computer Printers (Units)	computer Printer Toners (Units)
1998	72	80
1999	78	84
2000	80	85
2001	84	90
2002	87	91
2003	90	97
2004	95	106
2005	100	110
2006	110	130
2007	140	150
2008	150	160
2009	200	180

Fit a simple linear regression line to the data and estimate the demand for computer Printer Toners for the following years.

Year	Computer Printers (Units)	computer Printer Toners (Units)
2010	240	?
2011	242	?
2013	246	?
2014	250	?
2016	251	?
2018	262	?
2020	264	?
2021	270	?
2024	274	?
2025	275	?
2030	280	?

(12 marks)

04. (a) Evaluate the relative effectiveness under monetary policy in small open economy countries, like Sri Lanka using various capital mobility and different exchange rate. Which regime of exchange rate may be suitable for the above mentioned countries? (Prove graphically)

(12 marks)

(b) Explain the role of Transnational Corporations (TNCs) and Multinational Companies (MNCs) in trade Liberalization.

(08 marks)

05. (a) You have been appointed as the economic advisor to the President. He is keen on achieving low unemployment and low inflation. He has been advised that both may not be achievable simultaneously. Please advise him.

(12 marks)

(b) Discuss the impacts of International financial Crisis on the Employment Opportunities of Sri Lanka.

(08 marks)

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