(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMS

FOR THE DEGREEOF MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: MBA 810

COURSE TITLE: MANAGERIAL ECONOMICS

DATE:7TH OCTOBER,2022   TIME:9.00AM – 12NOON

INSTRUCTIONS TO CANDIDATES
Answer Question One and any other THREE (3) Questions

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of Printed Pages. Please Turn Over.

QUESTION ONE (40 MARKS)

a) As a newly employed manager in Fly 660 Airlines, you have been given an assignment of examining the business costs and expenditures in the business venture. Comprehensively discuss the Cost determinants and type costs this industry will face and the managerial decision that should be made (20 Marks)

b) what is break-even point? Explain the important managerial uses of break-even analysis.
(8 Marks)

c) Discuss the economic effect of collective bargaining in an organization of your choice bargaining. (12 marks)

QUESTION TWO (20 MARKS)

a) Suppose that economic forecasters predict that the economy will be expanding in the near future. How might managers in an Agro-processing industry use this information? (6 Marks)

b) Discuss the managerial decision-making process in relation to the economic forecasters prediction (6 Marks)

c) Given the following average revenue and total cost functions;

$AR_1 = 8 - 2Q_1 - 10Q_2$

$AR_2 = 4 - 4Q_1 - 2Q2$

$Tc = 4Q_1^3 + 6Q_1Q_2 + 2Q_2^2$

Determine the corresponding profit function. (4 Marks)

d) Explain the least cost combination of inputs principle. (4 Marks)

QUESTION THREE (20 MARKS)

For each of the following events, assume that either the supply curve or the demand curve (not both shifted). Explain which curve shifted, indicate the direction of the shift using a well labelled diagram for each case finally give the managerial implication in decision making process;

a) From 1950 to 1979 the wages paid to fruit pickers increased while the number of fruit pickers employed decreased. (5 Marks)

b) During the same period the price of radio sets declined, while the number of radio sets purchased increased. (5 Marks)

c) Housing prices are rising but more houses are sold. (5 Marks)

d) Kenya airways s reduces its average plane fare by 30 percent in order to attract more customers. (5 Marks)

QUESTION FOUR (20 MARKS)

a)   KK Ltd has Cobb-Douglas production function of this nature.

$$Q = 120 \, L^2 K^3$$

Where L represents labour units and K are the capital units. Each labor unit costs the firm twice as much as each unit capital. The cost of acquiring each unit of capital is Kenya Shillings 200. The firm has a cost outlay of 60,000 shillings to spend on capital and labour.

Required:

(i) Determine the least cost combination of capital and labour.   (4 Marks)

(ii) Determine the optimum production level of the firm.   (4 Marks)

b)   Explain the relationship between managerial economics and other subjects. (4 Marks)

c). what is break-even point? Explain the important managerial uses of break-even analysis.   (8 Marks)

QUESTION FIVE (20 MARKS)

a) Comprehensively compare and contrast Monopolies and Monopolistic Industries in Kenya giving lessons to managers in each of the cases (14 Marks)

b) Managerial economics involves directing scarce resources in the way that most efficiently achieves the managerial goal. In line with this statement, discuss five basic principles that a manager should uphold for effective management   (10marks)