Course Name	Managerial Economics	Course Code	ECO 101
Max. Time	1 hour	Max. Marks	20

INSTRUCTIONS: Attempt all questions

1. Bring out the implications of each:
   (a) Zero opportunity cost
   (b) Negative cross elasticity of demand for a good
   (c) Income elasticity is less than one
   (d) Negative Economic Profit
   (e) Price Floor below Market Equilibrium   (5 marks)

2. During a year of operation, a firm collects Rs. 4,50,000 in revenue and spends Rs. 1,00,000 on labor expense, raw materials, rent, and utilities. The firm's owner has provided Rs. 7,50,000 of her own money instead of investing the money and earning a 10% annual rate of return. Calculate:
   (a) Explicit Cost
   (b) Implicit Cost
   (c) Economic Cost
   (d) Accounting Profit
   (e) Economic Profit   (5 Marks)

3. Oranges and Kinnows are closely related fruit cousins. With this information, indicate what happens in the market for orange juice if:
   (a) the price of kinnows increases.
   (b) a virus spreads through the kinnow crop, killing a large proportion of the know variety.
   (c) a new dwarf orange variety is developed with much faster grow.
   (d) medical research proves that this new breed results in oranges that are healthier and reduce cholesterol.
   (e) a direct subsidy is given on each tree of new variety to farmers planting it.   (5 Marks)

4. Consider a competitive market for which the Quantities demanded and supplied (per year) at various prices are given as follows:

Price (Rs.)	Demand (Thousands)	Supply (Thousands)
60	22	14
80	20	16
100	18	18
120	16	20

   (a) Calculate the Price elasticity of demand when price is Rs 80 and when the price is Rs 100.
   (b) Calculate the price elasticity of supply when the price is Rs 80 and when the price is Rs 100.
   (c) What is the equilibrium price and quantity?
   (d) Suppose government sets the price ceiling of Rs 80. Will there be shortage and if so, how large will it be?   (5 Marks)