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| **SESSION** | **JAN - FEB 2025** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **01** |
| **COURSE CODE & NAME** | **DMBA115 MANAGERIAL ECONOMICS** |
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**Assignment Set – 1**

**Q1. What are the key determinants of price elasticity of demand?**

**Ans 1.**

**Key Determinants of Price Elasticity of Demand**

**Price Elasticity of Demand**

Price elasticity of demand (PED) measures how much the quantity demanded of a good responds to a change in its price. It is a crucial concept in managerial economics as it helps businesses understand how a change in price might affect their total revenue and sales volume. A product is considered elastic if a small price change causes a significant change in quantity demanded, and inelastic if demand remains relatively stable despite price changes.

**Availability of Substitutes**

One of the most important factors influencing price elasticity is the availability of close

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**Q2. Explain the meaning of the Law of Supply. Also highlight the exceptions to the Law of Supply. 5+5**

**Ans 2.**

**Law of Supply and Its Exceptions**

**Law of Supply**

The Law of Supply is a fundamental concept in microeconomics that states that, all other things being equal, an increase in the price of a good leads to an increase in the quantity supplied. In simple terms, suppliers are more willing to produce and sell a product when its price is higher, as it promises better profitability. This relationship between price and quantity

**Q3. Classify the various types of costs in economics.**

**Ans 3.**

**Classification of Various Types of Costs in Economics**

**Cost in Economics**

In economics, cost refers to the expenditure incurred in the production of goods and services. Understanding cost is crucial for managerial decision-making as it directly influences pricing, output levels, profitability, and resource allocation. Costs are classified in various ways depending on their behavior, nature, and purpose.

**Fixed and Variable Costs**

One of the most fundamental classifications is between fixed and variable costs. Fixed costs

**Assignment Set – 2**

**Q4. Examine the key characteristics of a perfectly competitive market 10**

**Ans 4.**

**Key Characteristics of a Perfectly Competitive Market**

**Perfect Competition**

A perfectly competitive market is a theoretical construct in microeconomics where numerous buyers and sellers interact freely. No individual participant has the power to influence the price. This market structure is ideal for understanding price and output determination in

**Q5. Illustrate the concept of the consumption function and analyse its relationship with varying income levels. 10**

**Ans 5.**

**Concept of the Consumption Function and Its Relationship with Income Levels**

Consumption Function

The consumption function is a key concept in macroeconomics that describes the relationship between household consumption and disposable income. Originally proposed by John Maynard Keynes, the function illustrates how much households plan to spend out of their income on goods and services. It plays a vital role in determining national income and is a foundation of the Keynesian economic model.

**Q6. Interpret the Phillips Curve and assess the trade-off it presents between inflation and unemployment.**

**Ans 6.**

**Interpretation of the Phillips Curve and the Inflation–Unemployment Trade-Off**

**Phillips Curve**

The Phillips Curve is an economic concept that describes the inverse relationship between inflation and unemployment. First introduced by economist A.W. Phillips in 1958, it posits that as unemployment decreases, inflation tends to rise, and vice versa. This trade-off has significant implications for policymakers seeking to balance economic stability with