



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER

**SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF SCIENCE IN ECONOMICS/FINANCIAL
ECONOMICS/ECONOMICS AND STAISTICS**

COURSE CODE: ECO 4108

COURSE TITLE: MANAGERIAL ECONOMICS

DATE: 6TH DECEMBER, 2022

TIME: 0830-1030

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

*This paper consists of **THREE** printed pages. Please turn over.*

Question One

- a) Discuss the characteristics of managerial economics **(8marks)**
- b) Discuss the objectives of demand forecasting **(8marks)**
- c) The production function for a firm is given as $Q = 12L^{0.5}K^{0.5}$. If the firm wants to produce an output of 240 units, find the optimal values of labour and capital that will minimize the total cost of production given that labour cost per unit is 25 dollars and capital cost per unit is 50 dollars
(9marks)

Question Two

- a) As strategic planner, why would a business manager buy your product?
(8marks)
- b) Consumer Clinics and Market Experiments are the same. Discuss
(7marks)

Question Three

- a) Given the following constrained optimization problem:

$$\text{Optimize } Z = XY$$

$$\text{Subject to: } X + Y = 6$$

Find the extremum and show whether the stationary value of Z present a maximum or minimum
(9marks)

- b) Economic analysis of entry conditions focuses on the various factors that influence the decision of a firm to enter a market. Discuss these factors.
(6marks)

Question Four

- a) Discuss factors to consider in marketing-oriented pricing **(8marks)**
- b) Given a project with a lifespan of THREE years and the following cash flows, calculate its Internal Rate of return
(7marks)

Year	Cash flow
0	100
1	40
2	60
3	30

Question Five

- a) In markets we find firms selling similar products, competing is neck-to-neck in price. If the price wars lead to prices close to marginal cost, the firm does not really get any profit. In such a situation, there are FOUR strategies that are valuable for firms. Discuss these strategies.

(8marks)

- b) The cash inflow of a particular project is given below

Year	Cash outflow in KSh	Cash inflow in KSh
0	200,000	-
1	60,000	20,000
2		50,000
3		70,000
4		100,000
5		60,000

The salvage value at the end of the 5th year is KSh. 20,000. The cost of capital is discounted at 12%. Calculate the net present value of the project

(7 marks)

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