



The University of Zambia



in association with

ZCAS University

**BAC241/BBA241/BBE311 MANAGERIAL ECONOMICS
SUPPLEMENTARY/DEFERRED EXAMINATION**

FRIDAY 22nd JULY 2022

08:30 – 12:30



TIME ALLOWED: THREE HOURS (plus 5 minutes to read through the paper)

INSTRUCTIONS:

1. Section A: Question One and Two in Section A are compulsory.
2. Sections B: Answer THREE questions from this section.
3. This examination paper carries a total of 100 marks.
4. Candidates must not turn this page until the invigilator tells them to do so.

SECTION A: All questions in this section are compulsory and must be answered.

QUESTION ONE

The X-Corporation produces a good (called X) that is a normal good. Its competitor, Y-Corp., makes a substitute good that it markets under the name "Y." Good Y is an inferior good. For each of the following cases, use the demand and supply curve to explain the resultant equilibrium price and quantity.

- a) How will the demand for good X change if consumer incomes increase? (5 marks)
- b) How will the demand for good Y change if consumer incomes decrease? (5 marks)
- c) How will the demand for good X change if the price of good Y decreases? (5 marks)
- d) Is good Y a lower-quality product than good X ? Explain. (5 marks)

(Total 20 marks)

QUESTION TWO

With reference to elasticity, explain, with examples, each of the following:

- (i) A normal good
- (ii) An inferior good
- (iii) Substitute goods
- (iv) Complementary goods

(5 marks)

(5 marks)

(5 marks)

(5 marks)

(Total 20 marks)



SECTION B: Answer any THREE questions only
QUESTION THREE

Suppose demand and supply are given by $Q^d = 50 - P$ and $Q^s = \frac{1}{2}P + 5$

- a) What are the equilibrium quantity and price in this market? (3 marks)
- b) Determine the quantity demanded, the quantity supplied, and the magnitude of the surplus if a price floor of K42 is imposed in this market. (4 marks)
- c) Determine the quantity demanded, the quantity supplied, and the magnitude of the shortage if a price ceiling of K25 is imposed in this market. Also, determine the full economic price paid by consumers. (5 marks)
- d) Outline any four (4) factors that would influence the demand for beef. (8 marks)

(Total 20 marks)

QUESTION FOUR

(a) The daily demand for Invigorated PED shoes is estimated to be

$$Q_x^d = 100 - 3P_x + 4P_y - .01M + 2A_x$$

where A_x represents the amount of advertising spent on shoes (X), P_x is the price of good X , P_y is the price of good Y , and M is average income. Suppose good X sells at K20 a pair, good Y sells at K30, the company utilizes 46 units of advertising, and average consumer income is K20, 000. Calculate;

- (i) Own price elasticity of demand and comment on the result. (5 marks)
- (ii) Cross price elasticity of supply and comment on the results. (3 marks)
- (iii) Income elasticity of demand and comment on the result. (3 marks)
- (iv) Advertising elasticity of demand. (3 marks)

(b) With the aid of appropriate diagrams, discuss consumer surplus and producer surplus

(6 marks)

(Total 20 marks)

QUESTION FIVE

(a) Explain how a firm will determine its profit-maximising price and level of output. (5 marks)

(b) Draw a diagram to illustrate the long run price and output position of a profit maximising monopolist. (6 marks)

(c) Copy and complete the following table

Output	Total Fixed Cost (TFC)	Total Variable Cost(TVC)	Total Cost (TC)	Marginal Cost (MC)	Average Total cost (ATC)	Average Fixed Cost (AFC)	Average Variable cost (AVC)
0			80	-	-	-	-
1		25					
2				15			
3					43		
4							10
5					20		

(Total 20 marks)

QUESTION SIX

Give brief notes on each of the following;

- (a) Product differentiation
- (b) Asymmetric information
- (c) Cartels under Oligopoly
- (d) Auctions

(5 marks)

(5 marks)

(5 marks)

(5 marks)

(Total 20 marks)

THE END

