

**THE OPEN UNIVERSITY OF SRI LANKA**  
**BACHELOR OF MANAGEMENT STUDIES – LEVEL 5**  
**ASSIGNMENT TEST -2007**  
**MANAGERIAL ECONOMICS–MCU 3207**



**DURATION – TWO (02) HOURS**

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**Date: 11<sup>th</sup> August 2007**

**Time: 10.00a.m. – 12.00 noon**

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**Answer THREE (03) questions only. Each question carries equal marks.**

1. (i) “Profit is a reward for efficiency”. Elaborate this statement by taking examples.  
(ii) Explain two theories of profit that you have studied by using examples.
2. (i) Distinguish the relationship between Average Revenue (AR) and Marginal Revenue (MR), under Perfect Competition.  
(ii) How does this relationship differ under Monopolistic Competition?
3. (i) How can a manager use Cross-Price Elasticity of demand in business decision making? Elaborate your answer by taking suitable examples.  
(ii) Explain how the understanding of elasticity of consumer taste helps a producer to be competitive in the market.
4. (i) Explain the particular behaviour of Marginal Product (MP) of a firm by using a graph.  
(ii) Analyse the stages of production with an aid of a graph.
5. (i) Why is Iso-quant also known as ‘Equal product Curve’ or ‘Production Indifference Curve’. Explain your answer by using graphs.  
(ii) If Iso-quant represents the substitutability of the input factors, can they take a unique shape? Elaborate your answer with suitable examples.