

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF ECONOMICS**  
**BSC ECONOMICS**

**MANAGERIAL ECONOMICS EC406: EXAMINATION DURATION 3 HOURS**

- JUN 2023

**INSTRUCTIONS**

1. This paper carries six questions
  2. Answer question 1 and any three questions.
  3. All questions carry 25 marks and Total exam marks: 100
  4. Cell phones are not allowed in the examination room.
- 

**Question 1 ( compulsory)**

- (a) Discuss the ways in which the concept of the elasticity of demand might be of value to the managing director of an international supermarket chain. **[15 marks]**
- (b) To what extent is the economy likely to be the key external factor determining the success of businesses? **[10 marks]**

**Question 2**

- (a) Discuss the importance of opportunity cost in managerial economics **[10 marks]**
- (b) Briefly discuss the principal-agency problems/conflicts that may arise in a firm and how can the problems be mitigated? **[15marks]**

**Question 3**

Apply the Porter's Five Forces model in explaining business environment. Discuss its validity and applicability. **[25 marks]**

**Question 4**

- a) Discuss the possible value to managers of undertaking PESTEL analysis **[15 marks]**
- b) To what extent do you think that price discrimination is desirable in an organization?  
Support your answer with theoretical arguments **[10 marks]**

**Question 5**

- a) Discuss the factors influencing the supply of a product.**[10 marks]**
- b) Discuss the objectives of a firm using the Managerial Utility Maximisation model.**[10 marks]**
- c) Define managerial economics and why is important **[5 marks]**

**Question 6**

Discuss the game theory and its applicability in business management decision making process?  
**[25 marks]**

**END**