

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF BANKING**

MASTER OF SCIENCE IN BANKING AND FINANCIAL SERVICES

**MANAGERIAL ECONOMICS
CBA 5103**

SUPPLEMENTARY EXAMINATION

SEPTEMBER 2009

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- The paper contains **SIX (6)** questions.
- Attempt any **FOUR (4)** questions.
- All questions carry equal marks [**25 marks**].
- Start the answer to each question on a fresh page of the answer sheet.
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INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

Questions may be written in any order, but must be legibly numbered.

The businesses in this question paper are intended to be fictitious.

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[Turn over]

QUESTION 1

Discuss the scope and methodology of managerial economics and show clearly how these are important in the managerial decision-making process. Use diagrams to illustrate your answer. [25 marks]

TOTAL [25 MARKS]

QUESTION 2

There have been so many challenges to the neoclassical thinking regarding the firm's objective as maximization of profits. Discuss the neoclassical theory of the firm and the criticism that it has received particularly in the fifties and sixties. [25 marks]

TOTAL [25 MARKS]

QUESTION 3

Firms generally operate under conditions of risk and uncertainty given that information is always and everywhere scarce. Distinguish between certainty, risk and uncertainty and explain how utility theory might be used to assist decision-making in the presence of risk. [25 marks]

TOTAL [25 MARKS]

QUESTION 4

Briefly explain each of the following concepts and clearly show their importance in managerial economics and decision-making.

- (a) Conjectural variation [5 marks]
- (b) Hurwicz "alpha" criterion [5 marks]
- (c) Cross elasticities of demand [5 marks]
- (d) Structure-conduct-performance paradigm [5 marks]
- (e) Contestable markets [5 marks]

TOTAL [25 MARKS]

QUESTION 5

The five forces model developed by Michael Porter (1980) of the Harvard Business School gives the best approach to understanding the structure of competition in an industry. Compare the 'five forces' analysis of competitive structure with the textbook approach to perfect competition, monopoly and oligopoly paying particular attention to the aims of the different approaches and to their overlaps. [25 marks]

TOTAL

[25 MARKS]

QUESTION 6

(a) Various demand and supply elasticities occupy centre stage in Managerial Economics and decision-making. Discuss how useful is the elasticities concepts in management decision-making in the Banking sector? [12 marks]

(b) When firms do not coordinate their advertising decision this may result in a problem known as the "Prisoner's Dilemma". Discuss in detail how this may arise, particularly in the Banking sector in Zimbabwe. [13 marks]

TOTAL

[25 MARKS]