UNIVERSITY OF NORTHUMBRIA AT NEWCASTLE

DIVISION OF ECONOMICS

EC407 Managerial and Industrial Economics

Level 2

Resit Paper

Thursday	Time allowed:
3 September 1998	2½ hours

Instructions: Candidates are to attempt THREE questions.
At least ONE question must be attempted from each section.
Eleven questions set.
All questions carry equal marks.

Section A: Managerial Economics

1. Explain the concept of economic profit and the reasons for its existence?

2. Describe in detail how the Smith-Kline Beecham research laboratories can affect the value of the firm.

3. According to PK Associate, the average price of a combined AM/FM radio station fell from about \$6.2 million in 1987 to about \$1.8 million in 1990. From the mid-1980s to the early 1990s, the Federal Communication Commission, which regulates the airways in USA, approved over a 1000 new radio stations. Did this action by the Commission help to cause the price decrease? Why or why not?

4. TR Limited has estimated the following demand curve for its robots in 1996:

   $P = 2000 - 20Q$

   where P is the price of a robot and Q is the number sold per month.

   a) Derive the marginal revenue curve for the firm.
   b) At what price is the demand for the firm's product price elastic?
   c) If the firm wants to maximise its sales revenue what price should it charge?

5. Define the concept of 'the output elasticity' and explain its importance in the production analysis.

Section B: Industrial Economics

6. Critically examine why we need a policy to control collusive behaviour.

7. What are the welfare implications of the traditional Cournot oligopoly and how does this compare with monopolistic and perfectly competitive market structures.?

8. Using examples, examine the main barriers to potential competition in U.K. industries.

9. Using examples, explain what factors determine the best mix of self regulation and statutory regulation in an industry.

10. Assess the evidence that privatisation creates enterprises that result in a more efficient mode of operation than public enterprise.

11. Using examples, evaluate the European Commissions policy on Merger control in recent years.