



008

SABARAGAMUWA UNIVERSITY OF SRI LANKA
 FACULTY OF GRADUATE STUDIES
 MBA/PGD MASTER OF BUSINESS ADMINISTRATION
 YEAR I SEMESTER I EXAMINATION (REPEAT) – JULY/ AUGUST 2020
 MANAGERIAL ECONOMICS - MBA 312

Time allowed: THREE (3) hours

Answer any FIVE (05) questions.

1 a. "Managerial economics is combination of economics, management and decision science" Discuss. (20 Marks)

2 You are the Senior Manager of Shangri-la Hotel in Colombo and your planning Department has recently estimated demand function for a deluxe room with the help of linear multiple regression model. The mathematical form of a linear demand function is given below.

$$Q^d = \beta_0 + \beta_1 P_{sh} + \beta_2 M + \beta_3 P_{cg} + \beta_4 A_x + \beta_5 C$$

Where,

Q^d = Quantity demand for a deluxe room in Shangri-la hotel

P_{sh} = Price of a deluxe room in Shangri-la hotel (US\$/room) = US\$. 500.00

M = Visitors per capita income (US\$/Day) = US\$ 320

P_{cg} = Price of a deluxe room in Cinnamon Garden (US\$/room) = US\$. 450.00

A_x = Average advertising expenditure in Shangri-la hotel (US\$/room) US\$. 38.00

C = Customer Satisfaction Index = 18.56

The estimated computer output of the above model under Least Square Method (LSM) is as follows,

Dependent Variable: Q

R- Square: 0.72 T table value 2.171

No of observations: 54

F- Ratio: 143.21

Variables	Parameter Estimate	Standard Error
β_0	127.8	49.6
β_1	-2.3	0.42
β_2	3.83	1.01
β_3	1.55	1.21
β_4	2.41	1.48
β_5	1.85	1.23

- a Are estimated parameters comparable with economic theory? Explain (05 Marks)
- b Construct the Total Revenue (TR) function of Shangri-la hotel and determine the TR maximize demand (05 Marks)
- c What are the significant parameters that could be impact on the demand for a deluxe room in Shangri-la hotel? (03 Marks)
- d Calculate and interpret, cross price elasticity, income elasticity and advertising elasticity of demand for a deluxe room in Shangri-la. (04 Marks)
- e Calculate Adjusted R^2 and interpret it. (03 Marks)