



BOWEN UNIVERSITY, IWO
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES
ECONOMICS PROGRAMME
BSc DEGREE 2022/2023 ACADEMIC SESSION
SECOND SEMESTER EXAMINATION

Course code: ECN 406

Course title: Economics of Production

Instruction: Answer question 1 and any other two questions

Course credit: 2

Time allowed: 2 hours

Question 1

- a. Production planning is essential for profit maximization by firms.
 - i. Clearly explain the term production planning **3 marks**
 - ii. Explain the term 'industrial inertia' in relation to production planning **4 marks**
 - iii. Explain the term 'food loose industries' using examples in the Nigerian context. **4 marks**
 - b. If a company needs a 15 percent profit margin and the break-even price is N359, the profit is N138.85. Determine the price of the product. **5 marks**
 - c. If an item costs N175.00 with a 25% markup discount. Calculate the markup value, the selling price, and the markup discount value waived. **5 marks**
 - d. The elasticity of production can be defined as the ratio of the percentage change in output to the percentage change in the amount of the variable input. If a production function is given as
 $Q = 10L + 7.5L^2 - L^3$, determine the elasticity of production. **5 marks**
 - e. Common timeline between a short and long run cannot be determined because it depends on the nature of production (industry). As an astute economist state two features that distinguish a firm in the short and long run, assuming the firm operates in a perfectly competitive market. **4 marks**
- 30 marks**

Question 2

- a. Explain the term pricing in production **2 marks**
 - b. In their book, *The Strategy and Tactics of Pricing*, Thomas Nagle and Reed Holden outline nine "laws" or factors that influence how a consumer perceives a given price and how price-sensitive they are likely to be with respect to different purchase decisions. Mention and briefly explain any 5 of the laws of price sensitivity and consumer psychology. **10 marks**
 - c. A firm can use a variety of pricing strategies when selling a product or service. Briefly explain 4 models of pricing strategies. **8 marks**
- 20 Marks**