

ASSUMPTION UNIVERSITY

ABAC Graduate School of Business

**Master of Business Administration
(Day, Evening, and Weekend Program)**

Guideline for Written Comprehensive Examination (2/2009)

Course Title: BE 6401 Managerial Economics

Instructor: Dr. Witsaroot Pariyaprasert

Covered Topics:

1) Macroeconomic Concepts

You must understand the basic definitions and implications of several important macroeconomic concepts, which are;

- Gross Domestic Product
- Inflation
- Unemployment
- Interest rate
- Aggregate Demand – Aggregate Supply Model
- Modified Phillip's Curve
- Okun's Law

2) Game Theory

2.1 *Equilibrium Outcome of Simultaneous Game* → (Strict) Dominant Strategy Equilibrium Outcome, Iterated (Strict) Dominant Strategy Equilibrium Outcome, and Nash Equilibrium Outcome.

2.2 *Equilibrium Outcome of Sequential Game* → Backward Induction Outcome.

You are required to understand the basic concept of game theory. You must know how to construct a game (table form and decision tree form) from the given information. After that, you must know how to find the equilibrium outcome of that game.

Format and Nature of the Exam Questions:

The questions will be the essay type. Diagram and table may also be required for some essay questions. Detail of each diagram must be showed clearly and completely. Students are expected to have good understanding of the above topics, and know how to apply them with various business and economic situations.

Suggestions:

- Student should read the important news that relate to the global and Thai economy (happened around this time).
- Student has about one hour to finish the exam. Therefore, time must be allocated efficiently.
- **Calculator and dictionary are NOT allowed in this examination.** Student is allowed to use only basic stationery (pens, pencils, ruler, eraser, etc.) in this examination.
- Student must make sure that grader can read his/her hand writing.
- My class Lectures, preparation of the exam, and homework can be used as the MAIN sources for preparation of this examination. If students still have more time, they can get addition information of some related topics from textbook, *Managerial Economics: Economic Tools for Today's Decision Makers*, 5th edition, by Paul G. Keat and Philip K. Y. Yong, Pearson Education, 2006. However, textbook source has lower priority than the main sources mentioned above.
- **If you didn't take BE6401 from me, I strongly recommend you to choose the exam of other lecturer.**

Questions for Quick Review of the Subject

1) A market has only two sellers (Firm A and Firm B). They are both trying to decide on a pricing strategy. Each firm has two available strategies (High Price and Low Price). **Assume that Firm A must make decision first, Firm B will make decision after. Each firm can make decision one time only.** If both firms charge a high price, then each firm will experience \$50 million profits. If both firms charge a low price, then each firm will experience \$20 million profits. If Firm A charges a high price and Firm B charges a low price, then Firm A will experience \$30 million profit and Firm B will experience a \$60 million profit. If Firm A charges a low price and Firm B charges a high price, then Firm A will experience \$70 million profit and Firm B will experience \$40 million profits.

1.1 Construct a decision tree for this game.

1.2 Determine the optimal outcome of this game and anticipated payoff of each player for that outcome.

1.3 Suppose this game becomes a simultaneous game. Does this game have the different optimal (equilibrium) outcome? Clearly explain your answer by showing the payoff table of this new game; and identify the outcome concept that you use.

2. Give and clearly explain at least 2 bad impacts of the recession situation that happens in a country.

3. Using **the diagram of the AD-AS model (with clearly explanation)** to show the possible “short-run” impact on the real GDP and average price of goods and services of Thailand from each of the following conditions:

3.1 Most of Thai people and firms expect that Thailand will experiences higher inflation rate in the near future.

3.2 Thai government increases the income tax, during the same period that there is a flood in some areas of Thailand and the prices of gasoline decrease. You also know that impact of flood to Thai Real GDP is very small, compared to the impact of gasoline prices

3.3 Thai government decides to change the 30 baht- health care system to a new “FREE” healthcare system (or no hospital cost for every Thai resident).

Note: The above questions are NOT the questions that will be asked in the comprehensive exam. (The real questions will be a lot more difficult.) They are used only for quick review of the ME subject. The answers of the above questions will be discussed in the preparation section, and will not be posted.
