

Registration No :

1 9 0 6 2 5 8 0 8 5

Total Number of Pages : 02

MBA
18MBA101

1st Semester Regular/Back Examination 2019-20

MANAGERIAL ECONOMICS

BRANCH : MBA, MBA (A & M), MBA (M & F)

Max Marks : 100

Time : 3 Hours

Q.CODE : HRB584

Answer Question No.1 (Part-1) which is compulsory, any EIGHT from Part-II and any TWO from Part-III.

The figures in the right hand margin indicate marks.

Part-I

Q1 Only Short Answer Type Questions (Answer All-10) (2 x 10)

- What are the economic principles relevant to managerial decisions?
- Why do supply curves generally slope upwards?
- On what factors does elasticity of demand depend?
- On what bases we can categorize demand forecasting?
- What does the law of diminishing returns explain?
- Why marginal cost eventually increases as output increases?
- What does positive implicit cost imply?
- Why does a monopolistically competitive firm earn super normal profit in the short run?
- When can EDLP be successful?
- Is there any relation between Inflation and Business cycle?

Part-II

Q2 Only Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve) (6 x 8)

- We often use Managerial and Business economics synonymously. Is it correct? Argue with logic.
- Explain why demand analysis is essential for successful production planning and capital expansion?
- Explain the importance of the concept of cross elasticity in formulating proper pricing strategy.
- Why does a firm facing a negatively sloped demand curve never produce in the inelastic portion of the demand curve?
- Distinguish between short run and long run production function.
- What does the shape of an Iso-quant show? Explain its importance in Managerial economics?
- Does Petroleum as an energy source have good substitutes? How is this reflected in the shape of the iso-quant for petroleum versus other energy sources?
- Under what condition should a firm continue to produce in the short run if it incurs losses at the best level of output?
- As a consumer, would you favor advertising in a monopolistically competitive industry? Justify your answer.
- What are the objectives of pricing policy? Discuss the major factors involved in pricing policy.
- No method of national income accounting is perfect. Critically evaluate the different methods of national income accounting in the context of this statement.
- Why is it better to keep a check on Business cycles? Is it feasible, keeping in view their obvious and inevitable occurrence?

Part-III

Only Long Answer Type Questions (Answer Any Two out of Four)

- Q3** Why is Managerial economics being considered a central part of each functional area of management? Does it help the business students integrate the knowledge gained in other courses? Discuss (16)
- Q4** "If a price is not an equilibrium price, there is a tendency for it to move to its equilibrium level. Regardless of whether the price is too high or too low to begin with, the adjustment process will increase the quantity of the good purchased". Explain using a demand and supply diagram. (16)
- Q5** Many firms under monopolistic competitive market set their advertising budgets at a fixed percentage of their anticipated sales. Does this mean that these firms behave in a non-maximizing manner? Why? Explain. (16)
- Q6** Which monetary and fiscal measures do you think are more effective in controlling inflation? Give logic in support of your answer. (16)

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MBA
18MBA101

1st Semester Regular Examination 2018-19

MANAGERIAL ECONOMICS

BRANCH : MBA

Time : 3 Hours

Max Marks : 100

Q.CODE : E638

Answer Question No.1 (Part-1) which is compulsory, any EIGHT from Part-II and any TWO from Part-III.

The figures in the right hand margin indicate marks.

Part- I

Q1 Short Answer Type Questions (Answer All-10) (2 x 10)

- What is meant by market driven economy?
- One of the main concerns of a Managerial Economist is that the firm should create value. Explain what is value creation here?
- The two basic units in an economy are always in conflict. State who are these two units and what is this conflict referred to?
- What are the demand determinants for durable goods?
- Explain how the phenomenon of price elasticity of demand is explained in the context of necessities and luxuries.
- What do you mean by economies of scope?
- Between inflation and deflation which is having more disastrous effects? Why?
- Discuss what would happen to the consumption function if consumers' expected prices rise rapidly in the future and if taxes increased?
- Explain autonomous and induced investment.
- Price discrimination work towards equalizing real income. Do you agree? Give the circumstances where this is practiced by Governments.

Part- II

Q2 Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve) (6 x 8)

- Given the demand and total cost functions:
 $P=20-Q$, $C=Q^2+8Q-2$, where q is the output, Compute the profit maximizing level of output, Sales maximizing output and revenue maximizing output subject to a profit of at least P
- What are the practical applications of the price elasticity of demand concept? Explain
- Define new product. What are the different methods of forecasting the demand for new products?
- Differentiate Fiscal policies and Monetary Policies
- Discuss the pricing strategies adopted for a new product.
- What are external economies of scale and how are they different from returns to scale?
- What is the difference between technical and economic efficiency, and why is this distinction important for decision making?
- Examine the factors which explain why the average cost of producing a commodity declines with an expansion in the scale of production.
- Explain how, from the production function and prices of resources used, an entrepreneur can determine the equation of the cost of production.
- Under what circumstances a firm might produce a product and then destroy it? Give real-life examples.

- k) Why a firm under perfect competition is described as a price taker? Deduce its equilibrium conditions in the short run.
- l) A monopolist has two markets and the demand schedules in them are as follows:

MARKET A	MARKET A	MARKET B	MARKET B
PRICE (RS)	QUANTITY	PRIC (RS)	QUANTITY
50	400	60	600
40	600	50	800
30	900	40	1100
20	1000	30	1400

He wants to sell 1400 units. What price will he set in the two markets and why?

Part-III

Long Answer Type Questions (Answer Any Two out of Four)

- Q3** Construct the AFC and AVC curves of a firm. Explain the shapes. Show how you derive the ATC curve from the average fixed cost and average variable cost curves. If the price of the variable factor rises how the three cost curves are affected? Explain your answers. (16)
- Q4** Suppose that, if labour costs Rs10 per unit and capital costs Rs 5 per unit, the least cost combinations of capital and labour are indicated in the following table; (16)

Output	Labour	Capital
100	5	10
200	6	12
300	8	14
400	10	20
500	13	28
600	18	38
700	24	54

- a) Prepare a table showing long run total cost, long run average cost and long run marginal cost.
- b) Graph these cost functions. (Graph paper not required, draw in the answer scripts)
- c) Over what range of output do economies of scale exist?
- d) Over what range are diseconomies of scale indicated?
- Q5** What are price, income and cross elasticity of demand? Discuss the factors that influence on the price elasticity of demand for a commodity. (16)
- Q6** Assume that a perfectly competitive firm finds itself in the situations listed as under. Discuss what the firm is likely to do in each case : (16)
- a) It is making no economic profits
- b) It is making no business profits
- c) It is not covering its fixed costs

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Total Number of Pages: 02

MBA
15MNG104

1st Semester Regular/Back Examination 2017-18
ECONOMICS FOR MANAGEMENT

Branch: MBA
Time: 3 Hours
Max marks: 100
Q.CODE: B826

Answer Question No.1 and 2 which is compulsory and any four from the rest.
The figures in the right hand margin indicate marks.

Q1 Choose the best alternative: (2X10)

- a) Bhubaneswar has an abundant supply of fresh water. However, an economist would consider it a scarce resource because:
- (a) Water is necessary for humans' physical survival.
 - (b) Pollution will eventually destroy all life in the smart city.
 - (c) Water is limited relative to people's unlimited wants.
 - (d) Nature can destroy water as well as create it.
- b) Which of the following will cause a change in quantity supplied?
- (a) Technological change
 - (b) A Change in input prices
 - (c) A Change in the market price of the good
 - (d) A Change in the number of firms in the market
- c) In which of the following cases will the effect on equilibrium output be indeterminate (i.e., depend on the magnitudes of the shifts in supply and demand)?
- (a) Demand decreases and supply decreases
 - (b) Demand remains constant and supply increases
 - (c) Demand decreases and supply increases
 - (d) Demand increases and supply increases.
- d) If the price elasticity of demand for a product is equal to 0.5, then a 10 percent decrease in price will:
- (a) Increase quantity demanded by 5 percent.
 - (b) Increase quantity demanded by 0.5 percent
 - (c) Decrease quantity demanded by 5 percent.
 - (d) Decrease quantity demanded by 0.5 percent.
- e) In economic decisions every variable influences every other variable is an underlying assumption of:
- (a) Delphi Technique
 - (b) Multi Collinearity
 - (c) Simultaneous equations method
 - (d) Specification errors
- f) John moved his office from a building he was renting downtown to the carriage house he owns in back of his house. How will his costs change?
- (a) explicit and implicit costs rise
 - (b) explicit costs rise; implicit costs fall
 - (c) explicit costs fall; implicit costs rise
 - (d) explicit and implicit costs fall.
- g) Perf Per perfectly competitive firms are price takers because
- (a) all small firms must take the price set by the largest firm in the market
 - (b) firms take the price that government determines is a "fair" price
 - (c) each firm is small and goods are perfect substitutes for one another
 - (d) Free entry and exit in the short run creates a constant market price in the long run.

- h) Monopolistically competitive firms ignore the effect of their decisions upon other firms in the industry because
- (a) each firm is large relative to the market
 - (b) each firm is small relative to the market
 - (c) there are few sellers in the market
 - (d) all firms follow the same known pricing rules
- i) In order to convert nominal GDP to real GDP, we must divide
- (a) Real GDP by the price index
 - (b) Nominal GDP by the Price index
 - (c) The price index by nominal GDP
 - (d) The price index by real GDP
- j) In the circular flow of income and output, saving is
- (a) Injection of money
 - (b) Withdrawal of money
 - (c) Addition to capital stock
 - (d) None of the above

Q2

Answer the following questions:

(2x10)

- a) What major decisions a firm must make to maximize profits and to use its resources for production?
- b) In what way the growth of the economy would affect demand for a commodity?
- c) A New hormone will increase the amount of milk each cow produces. If this hormone is adopted by many dairies what will be the effect on the milk market?
- d) If by increasing the quantity of labour by one unit, a firm gives up 3 units of capital, and yet produces the same level of output, then what would be the value of MRTSL, K?
- e) What does the iso-cost line represent?
- f) Why do existing products in the market can be easily imitated by any new entrant in monopolistic competition?
- g) What is the need for different pricing strategies for retailers?
- h) Why business cycles are synchronic by nature?
- i) Distinguish between GDP at market price and GDP at factor cost.
- j) Why inflation is considered as a necessary evil?

Q3

Investigating the demand for textiles in a country, a researcher observed that the demand for textiles tend to rise by 1.5% with 1% decrease in the prices of textiles; with the rise in 1% of percapitaGDP, the demand for textiles rise by 0.45% and when food prices increase by 1%, the demand for textiles contracts by 0.93%.

(15)

(a) Which type of elasticity the textiles mills should consider significant for business development?

(b) How much rise in sales is expected during a festival season by offering 20% discount by textile mills show rooms?

Q4

State the law of diminishing returns. Why do diminishing marginal returns to a variable input occur eventually? Can they become negative? If so, why?

(15)

Q5

Discuss the effect on the prices of other brands in a monopolistically competitive industry, when a representative firm increases the price of its brand?

(15)

Q6

Explain the various economies of scale and dis- economies of scale that accrue to the firm when it expands its scale of production.

(15)

Q7

What are the objectives of pricing policy? Discuss the major factors involved in pricing policy.

(15)

Q8

Which monetary and fiscal measures do you think are more effective in controlling cyclical fluctuations? Give logic in support of your answer.

(15)

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MBA
15MNG 104

1ST SEMESTER REGULAR EXAMINATION, 2016-17

ECONOMICS FOR MANAGERS

Branch: MBA

Time: 3 Hours

Max Marks: 100

Q.CODE:Y623

Answer Question No.1 and 2 which is compulsory and any four from the rest.

The figures in the right hand margin indicate marks.

Q1 Answer the following questions: (2 x 10)

- Economic resources are----- and needs are-----.
- To say that people make marginal decisions means that they weigh the----- and----- of various activities before they make a decision.
- Attempts are being made to develop a biodegradable plastic using agricultural produce such as potatoes. If these attempts are successful, then equilibrium price of potatoes----- and equilibrium quantity-----.
- Elasticity of demand is affected by both----- and-----.
- Technical efficiency is a situation when use of more of----- and----- increases output.
- Economies of scale refer to a situation in which the----- decrease with increase in-----.
- A Monopolistic competitor's demand curve is more elastic than----- but less elastic than-----.
- Pricing in the light of objectives of a firm, a profit maximizing firm considers----- for determination of price and hence will adopt-----.
- In a two sector economy, circular flow of income takes place between----- and -----.
- Business cycle is the----- movement in economic activities, measured in terms of-----.

Q2 Answer the following questions: (2x10)

- Why do economists emphasize the importance of equilibrium in markets?
- Why does Opportunity costs exist?
- Is drug education better than drug interdiction? Why?
- Is it always useful for a seller to lower the price in order to increase sales revenue? Justify.
- Are Technological efficiency and economic efficiency the same? If not, distinguish
- What does Economies of scope refer to?
- Why existing products in the market can be easily imitated by any new entrant in monopolistic competition?

- h) What are the most popular strategies under product lifecycle pricing?
- i) What do you mean by the concept of deflator?
- j) What are the basic problems during recession phase?

- Q3 Does Managerial Economics help the business students integrate the knowledge gained in other courses? Discuss. (15)
- Q4 How can cross price elasticities of demand be used to help define the relevant firms in an industry? The cross elasticity between product A and product B is 8. Do you think that product A is likely to face an elastic or inelastic demand curve? Explain. Usually, what sign are the cross elasticities for complementary and substitute products? (15)
- Q5 Illustrate the law of diminishing returns and three stages of production, assuming that the production function has only one variable input. What is the optimal use of the variable input in stage 2, if the firm wants to maximize its profits? (15)
- Q6 "Monopolistic competition is the form of market organization in which there are many sellers of a differentiated product and entry into and exit from the industry are rather easy in the long run". While commenting on the same, also give the implications of each of the characteristic features of the monopolistic market. (15)
- Q7 Briefly describe competition based pricing and draw linkage between them and objective based pricing. (15)
- Q8 How can credit control check inflation? Would increasing supply of goods be a better measure to check inflation than credit control? Discuss. (15)

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Total Number of Pages: 2

MCA

MGT-102

FIRST SEMESTER SPECIAL EXAMINATION, 2015-16

MANAGERIAL ECONOMICS

Branch: MCA

Time: 3 Hours

Max marks: 70

Q Code: X174

Answer Question No.1 which is compulsory and any five from the rest.

The figures in the right hand margin indicate marks.

Q1

Answer the following questions:

(2 x 10)

- a) Why do supply curve generally slope upward?
- b) A New hormone will increase the amount of milk each cow produces. If this hormone is adopted by many dairies what will be the effect on the milk market?
- c) What are the criteria for a good Forecasting method?
- d) Distinguish between Labour augmenting technical progress and Capital augmenting technical progress.
- e) What is implicit cost?
- f) Why does an iso-quant slope down-ward?
- g) What is the need for different pricing strategies for retailers?
- h) What conditions are necessary for the monopoly to exist?
- i) What is deflator? How does it work?
- j) Discuss about explicit cost.

Q2 "Managerial Economics is an integration of economic theory, decision science and business management". Comment 10

Q3 Explain the importance of the concept of cross elasticity in formulating proper price strategy and analyzing the degree of competition prevailing in an industry. 10

Q4 State the law of diminishing returns. Why do diminishing marginal returns to a variable input occur eventually? Can they become negative? If so, why? 10

Q5 "Advertising is a necessary evil of Modern business" Discuss. 10

Q6 What are the objectives of pricing policy? Discuss the major factors involved in pricing policy. 10

Q7 Write short notes on:
(a) Business cycle.
(b) National income 10

Q8 Which monetary and fiscal measures do you think are more effective in controlling inflation? Give logic in support of your answer. 10

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Total number of printed pages – 3

MBA
MGT 102

First Semester Regular Examination – 2014

MANAGERIAL ECONOMICS

BRANCH : MBA

QUESTION CODE : H 460

Full Marks – 70

Time – 3 Hours

Answer Question No. **1** which is compulsory and any **five** from the rest.

The figures in the right-hand margin indicate marks.

1. Answer the following questions : 2×10
 - (a) What are Giffen goods ? Explain the principle emanating from it.
 - (b) Is price elasticity of demand negative for all goods ?
 - (c) What is MRTS ?
 - (d) Distinguish between Implicit and Explicit cost.
 - (e) What is economic profit ?
 - (f) Is cross elasticity positive for complementary goods ?
 - (g) $AR = MR = P$ in a perfectly competitive market. Why ?
 - (h) How does a firm maximize profits ? Give a graphical explanation.
 - (i) What is Transfer Pricing ?
 - (j) What is Bank rate ? How does it help in stabilizing economy ?
2. (a) Based on a consulting economist's report, the total and marginal cost functions for Advanced Electronics Inc. are
$$TC = 1,000 + 10Q - 0.9Q^2 + 0.04Q^3$$
$$MC = 10 - 1.8Q + 0.12Q^2$$
Find out the rate of output that results in minimum average variable cost. 5

P.T.O.

- (b) Navin Mehta, a young Chemical Engineer, developed a new detergent during his M. Tech Course. Upon passing out, he invested a small amount of capital to start manufacturing and selling the detergent under the brand name of NIPPO. Coming from a middle class family, Mehta decided to price his detergent much lower than the other detergents available in the market at that time. His pricing strategy paid rich dividends and NIPPO become an instant success. Using his newly acquired financial strength, Navin developed a new premium quality bathing soap with a unique color and perfume. Although the cost price of this soap was high, Navin priced it substantially lower, maintaining a low profit margin, to be comfortable product in the marked.

Answer the following questions :

5

- (i) Suggest an appropriate marketing plan to Navin Mehta.
- (ii) Do you feel Navin committed a pricing mistake in the case of the bathing soap ? Give reasons for your answer.

3. Managerial economics uses the theories of economics and the methodologies of the decision sciences for managerial decision making. Elaborate. 10

4. The demand for a company's computers has varied with its price in the following manner during the last seven years :

Years	1996	1997	1998	1999	2000	2001	2002
Price (Rs.)	90,000	80,000	75,000	60,000	50,000	35,000	30,000
Demand ('000 units)	80	95	110	120	135	150	160

Project the demand for the computers when the price is reduced further to Rs. 20,000/-. 10

5. Long run cost-output relationship is an envelope of the family of short-run cost curves. Give your views. 10
6. "The monopolistic competition is a special case of imperfect competition. It stands between monopoly and perfect competition and accordingly the pricing decisions are determined by the characteristics of both these market forms". Discuss. 10

7. Describe briefly the functions of monetary policy and fiscal policy. Which of these is more effective in controlling trade cycle in a developing country? 10
8. Write short notes on any two of the following : 5×2
- (a) Output elasticity
 - (b) Open market operation
 - (c) GDP
 - (d) Law of variable proportions.

Registration No. :

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Total number of printed pages – 3

MBA
MGT 102

First Semester Examination – 2013

MANAGERIAL ECONOMICS

QUESTION CODE : C- 618

Full Marks – 70

Time : 3 Hours

*Answer Question No. 1 & 2 which are compulsory and any **four** from the rest.
The figures in the right-hand margin indicate marks.*

1. Answer the following questions : 2×10

- (a) Why do economists emphasize the importance of equilibrium in markets ?
- (b) What does it mean if the value of the price elasticity of demand is -0.2 ?
- (c) Is it always useful for a seller to lower the price in order to increase sales revenue ?
- (d) Why might a forecast obtained by projecting a past trend into the future give poor results even if the past patterns have remain unchanged ?
- (e) What is true of marginal cost when marginal returns are increasing ?
- (f) What do you mean by Technological progress ?
- (g) What do positive implicit costs imply ?
- (h) Why does a monopolist have no supply curve ?
- (i) Under what conditions EDLP can be successful ?
- (j) Why the national income accounting data are of utmost importance for the economy of any country ?

2. CASE STUDY :

Multiplex business has gained steady momentum in India. Ticket prices in such multiplexes are adjusted in accordance to the movie, time of the day and the day

of the week. Hit movies on a weekend or a holiday are charged the maximum, while during weekdays, when prices are kept lower, the benefit goes to the audience. Besides taking over the metros, these multiplexes have undertaken the risk of broadening their network to the non-metros. But the game in non-metros is slightly different from that in metros. The profit margin is slightly different in the non-metros, classified according to their affordability factor, taste and preferences. During Week days, the prices of tickets vary from Rs.150- Rs.200 in the metros and soar up during the weekends making the tickets available at Rs.200-Rs.250. The morning shows are priced at Rs.60, Rs.80, or Rs.100 attracting the school and college folk. The price of tickets in non-metros varies from Rs.80-Rs.100 during the week. "Customers in these towns would not have the capacity to pay upwards of Rs.100 for a ticket, hence we have entered these towns under a separate brand name of PVR Talkies," says Ashish Shukla, CEO, PVR Talkies.

Questions :

- (a) What type of pricing strategy do you see in case of multiplexes ? Evaluate on the basis of various pricing categories. 5
- (b) Is this price discrimination or flexible pricing ? Give logic. 5
3. Discuss why managerial economics is being considered a central part of each functional area of management ? 10
4. You are working for a soft-drinks company as the marketing head. The company is planning to float a new drink which is white in colour. What lessons from the concept of elasticity can you draw while fixing the price for this new drink ? 10
5. (a) Jaiprakash, the owner of a fast food restaurant, estimated that he can sell 1000 additional burgers per day by renting more automated equipment at a cost of Rs.5000 per day. Alternatively, he estimated that he could sell an extra 1200 burgers per day by keeping the restaurant open for two more hours per day at a cost of Rs.2500 per hour. Which of these two alternatives of increasing output should jai use and why ? 5
- (b) Explain the difference between Technological progress and Economies of scale. 5

6. What are the reasons for the existence of monopoly ? Explain why a monopolist can incur losses in the short run ? 10
7. You are working for a large automobile manufacturer who is facing low sales in recent past. You have been asked to design a pricing strategy for such situation. What will you do ? Justify your answer. 10
8. Write short notes on : 5×2
- (a) Business cycle
 - (b) National income.
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Registration No. :

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Total number of printed pages – 4

MBA
MBA 103

First Semester Examination – 2012-13

MANAGERIAL ECONOMICS

Full Marks – 70

Time : 3 Hours

*Answer Question No. 1 & 2 are compulsory and any **four** from the rest.*

The figures in the right-hand margin indicate marks.

1. Answer the following questions : 2×10
- (a) What are the basic steps involved in all types of decision-making process?
 - (b) Would you expect the price elasticity of demand for electricity for residential use in India to be higher or lower than that for industrial use ? Why ?
 - (c) Why demand forecasting is important in the management of business firms and other enterprises ?
 - (d) Why does the marginal product of an input decline as more units of the variable inputs are used ?
 - (e) For the Following pair of equations, determine algebraically the equilibrium price and output: $Q_d = 6 - P$, $Q_s = 3P - 2$
 - (f) What is meant by Economies of scope ? How do they differ from Economies of scale ?
 - (g) What is the kind of pricing used by Shoppers' stop and Big Bazaar ?
 - (h) In which sector of the Indian economy is Oligopoly most prevalent ? Why?
 - (i) The demand function of a monopolist firm is given as $P = 240 - 10Q$; its cost function is $C = Q^3 - 12Q^2 + 220Q - 570$. Determine the profit maximizing level of price and output.
 - (j) Why inflation is considered to be a byproduct of growth and expansion ?

P.T.O.

Wake up in the morning and the first thing to hit you, while you have your morning cup of tea, will be the barrage of pamphlets accompanying your daily newspaper, advertising "fast food" joints - from the local "Dhaba" to the once upon a time favourite of Delhities, "Nirulas" to "McDonald's and Pizza Hut". The fast food industry has a significant number of "Johnny come-lately's" and the trend apparently continues. A very obvious reason for the growth appears to be the "cosmopolitan" taste pattern cultivated by us. About 8 to 10 years ago, the average Indian could only visualize "Masala Dosa" or a "Burger" as fast food. Today's Indian has come a long way since then. By today's Indian, we refer not only to the X-generation, but school going children, house wives, grandparents and suave executives- all are fond of fast food. Today, the Indian fast food consumer knows precisely what he wants- be it a "fish-o-fillet" burger from McDonald's, a "Pan-Pizza" from Pizza Hut or a special KFC fried chicken.

Technically speaking, one could say that it is the same chicken, which will simply be roasted with typical Indian marination in any of the numerous roadside dhaba tandoors, while in a KFC outlet, chicken will be fried in the famous "KFC batter" and served with finger chips, coleslaw and coke. Voila- you could almost visualize yourself in the heart of Kentucky. Thus for the consumer, it is a different product, in effect, not just the same old chicken.

It is all clearly a question of product differentiation- be it the way the product is presented, the ambience of the joint, its location, duration of work hours or the added attraction of service, like a free- home delivery. It is this product differentiation, highlighted by shop owners in their advertisements that bolsters their sales.

Let us face the simple fact- a Mc Chicken burger with its calorie contents, served by smartly turned-out boys and girls in a posh restaurant- is not the same thing as a chicken burger kept in a hotcase of the local shop.

Product differentiation does not come cheap. Developing a new variety of cheese for a pizza to suit the Indian palate, requires extensive laboratory and market research, not to forget an aggressive sales drive or the opening up of another

McDonald's outlet in a busy market place. All these are costly ventures. But undoubtedly, this differentiation brings in additional revenue. A new chicken burger with lesser calorie contents will lure in the younger girls. A "Navratra" special meal at McDonald's will attract those who religiously keep "Navratra fasts".

This is an industry where anybody with a decent budget can enter, especially through franchising. It becomes imperative for the existing ones to continuously innovate their products and create product differentiation- if they intend to continue in the business in the long term.

Questions :

- (a) Will it be possible for the oil and petroleum industry to follow the kind of marketing strategy followed by fast food industry ? Discuss and justify your answer.
 - (b) What kind of market structure does the fast food industry follow ? Discuss in detail. Can you draw a parallel example of any other product following the same market structure ?
 - (c) What factors will govern the success of a franchisee firm which wants to open a Pizza Hut shop in a popular market ?
3. Why is Managerial economics being considered a central part of each functional area of management ? Does it help the business students integrate the knowledge gained in other courses? Discuss. 10
4. Agricultural commodities are known to have a price-inelastic demand and are considered to be necessities. Use this information to explain why the income of farmers fall 10
- (a) after a good harvest, and
 - (b) In relation to the incomes from other sectors of the economy.
5. (a) What does the shape of an Iso-quant show ? Explain its importance in Managerial economics. 5
- (b) Does Petroleum as an energy source have good substitutes ? How is this reflected in the shape of the iso-quant for petroleum versus other energy sources ? 5

6. Only Greens company sells green vegetables and has a total cost function as $TC = 200 + 8Q + 2Q^2$. Assume the industry to be in perfect competition.
- (a) If vegetables are charged at Rs.20 per kg., determine the optimal level. 3
 - (b) Find the profit at this output. 3
 - (c) Being an expert comment on whether the Firm should continue operations or Shutdown. 4
7. What is the need for different pricing strategies for Retailers ? What are the major pricing practices under retail market ? 10
8. Why is it better to keep a check on Business cycles ? Is it feasible, keeping in view their obvious and inevitable occurrence ? 10

Registration No. :

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Total number of printed pages – 6

MBA
MBA 103

First Semester Examination – 2010

MANAGERIAL ECONOMICS

Full Marks – 70

Time : 3 Hours

*Answer Question No. 1 which is compulsory and any **five** from the rest.*

The figures in the right-hand margin indicate marks.

1. Answer the following questions : 2 × 10
- (a) Use economics to find out why diamonds are more expensive than water, when water is necessary for survival and diamonds are not.
 - (b) In winters, the price of woolen clothes rises and the quantity of such clothes sold rises. Is this a violation of the law of demand? Explain briefly.
 - (c) Demand for a firm's product has been estimated to be: $Q_d = 1000 - 200P$. If the price of the product is Rs. 3 per unit, find out the price elasticity of demand at this price.
 - (d) Are technological efficiency and economic efficiency the same?
 - (e) You are the owner of a firm that is currently losing Rs. 1,000/- per month with fixed costs per month of Rs. 800/-. A management consultant advises you to cease production. Should you accept the advice? Explain with reasons.

P.T.O.

(f) What is the difficulty in defining an industry in monopolistic competition ?

(g) Find out what type of pricing strategy is adopted by the following business houses :

(i) Nokia

(ii) Air Deccan

(iii) Tanishq Jewellery

(iv) Hewellett Pack

(h) National income does not necessarily refer to income produced within the borders of a country. In the context of this statement, distinguish between GNP and GDP.

(i) If zero inflation is bad, why would a government try to control inflation ?

(j) Why is it better to keep a check on Business Cycles ?

2. CASE STUDY :

10

Power Security is of prime importance, second only to defence. The industrial slowdown in our country which started in 1996, took place largely on account of following two reasons : Credit crunch, and (b) infrastructural bottleneck, especially power bottleneck.

The power sector needs to grow at a rate of 9 to 10 per cent annually to keep pace with the growth of industry in India. This would enable India's overall industrial and economic growth in future.

The first priority for the power sector is to narrow the gap between demand and supply. While power shortage is close to 11 to 12 per cent, the peak demand shortfall is in the range of 18 to 20 per cent. Research has concluded that the opportunity cost of energy shortfall and the peak demand shortfall is 2 per cent of the GDP. The study states that the country needs over 60,00 MW of new capacity, which translates into a demand for financial resources of more than a whopping Rs. 3,00,000 crores. The ambition of setting a "feasible" target is hampered by monetary constrictions. Investors, therefore, feel uneasy negotiating with the State Electricity Board (SEB), the main buyer of the power, which on an average suffers commercial losses approximating to Rs.10,000 to Rs.12,000 crores annually.

The SEBs' Financial problems can be attributed to its weak revenue generation operation. The operational performance of SEBs cuts a sorry figure. Tariff on electricity in India ranks amongst the lowest in the world. It is lower than that of all East Asian countries, excluding China. Sri Lanka too, has a higher electricity tariff. Bangladesh, Pakistan and Nepal have tariff structures, similar to ours, while Bhutan has lower tariff. One can find some correlation between the levels of electricity tariff and overall economic-industrial development.

SEBs represents a typical example of public sector enterprise - over utilized and inefficient. To counter such criticism, one of the SEBs has created a high tariff structure of Rs.100 per 100 KW hours for industrial users and Rs. 50 per 100 KW hour for domestic households. Industrial users are unhappy and

justifiably so as there is a "cross-subsidization" between the industrial and domestic users. The marginal cost per 100 units of producing is Rs. 30. Industrial users consume around 35 percent of power, but contribute more than 50 percent of the total sales revenue. However, the industry has little option but to pay high price till a favourable bill is passed in the State Assembly.

Domestic users have explored alternatives as the tariff does not suit their budget. These users are, in fact, subsidized at the cost of industrial users. Many housing societies have opted for other arrangements, relying as less as possible on the SEBs. The industry is unable to go in for alternative arrangements, because most industries are power intensive.

The SEB hopes to increase its revenue by targeting another group, the "Self-employed", which comprises of professionals, who operate on a commercial basis, but from their homes. The SEB intends to charge Rs.75 per 100 KW hour from this group.

- (a) Explain the market conditions under which the SEB works.
- (b) "SEBs are discrimination monopolists". Do you agree with the statement? Discuss critically.

3. Managerial Economics attempts to integrate economic theory with business practice for facilitating decision making and forward planning by management

— Explain.

10

4. For the following demand functions, determine whether demand is elastic, inelastic or unitary elastic at the given price : 10

(a) $Q = 100 - 4P$ and the given $P = \text{Rs. } 20$

(b) $Q = 1500 - 20P$ and the given $P = \text{Rs. } 5$

(c) $P = 50 - 0.1Q$ and the given $P = \text{Rs. } 20$

(d) $Q = 20,000 - 60P$ and the given $P = \text{Rs. } 200$

5. Distinguish between the following costs and indicate which are relevant to managerial decision making: 10

(a) Implicit and Explicit Costs.

(b) Accounting and Economic costs.

6. ABC Co. sells green vegetables and has a total cost function as $TC = 200 + 8Q + 2Q^2$. Assume the industry to be perfect competition. 10

(a) If vegetables are charged at Rs. 20 per kg, determine the optional output level.

(b) Find the profit at this output.

(c) Being an expert, comment on whether the firm should continue operations or shutdown.

7. No method of National Income accounting is perfect. Critically evaluate the different methods of national income accounting in the context of this statement. 10
8. How can credit control check inflation? Would increasing supply of goods be a better measure to check inflation than credit control? 10