MB-102

Sl.No. : **Total No. of Pages : 3**

I Semester M.B.A. Degree Examination, May/June - 2023
(Non-CBCS : SLM Scheme)
MANAGEMENT
Managerial Economics

Time : 3 Hours **Max. Marks : 80**

SECTION - A

Answer any five sub-questions. Each sub-question carries 3 marks. **[5×3=15]**

Q1) a) What is Marginal Revenue?

b) Give the meaning of durable and non durable goods.

c) What is equilibrium price and Quantity?

d) What is economics of Scale?

e) Give the meaning of Safety Margin.

f) What is Monopoly?

g) What is meant by utility?

SECTION - B

Answer any four of the following questions. Each carries 5 marks. **[4×5=20]**

Q2) What are the reasons for negative slope of a demand curve?

Q3) What are the differences between qualitative and quantitative demand Forecasting methods?

Q4) Distinguish between income and substitution effects of a price change.

Q5) What are the similarities between Monopoly and Monopolistic competition?

Q6) What are the reasons for price rigidity in oligopoly market?

Q7) What are the causes of Inflation?

SECTION - C

Answer any three of the following questions. Each carries 10 marks. **[3×10=30]**

Q8) Explain fundamental concepts of Managerial Economics and their application in managerial decision making.

Q9) How are the price, income, cross elasticities and advertising elasticity measured? Explain.

Q10) "Graphically show the loss minimization and shutdown points in perfect competition". Discuss.

Q11) Explain the managerial application of Break-Even Analysis.

Q12) Discuss the measures which could be used to manage the ill effects of Business Cycle on the Economy.

SECTION - D

Q13) Case (Compulsory) : **[1×15=15]**

Ratan Sethi opened a petrol-pump cum retail store on Delhi-Agra Highway, about two-hour drive from Delhi, His store sells typical items needed by highway travellers like fast foods. Cold drink, chocolates, hot coffee, children's toys, etc. He charges higher price compared to the sellers in Delhi, yet he is able to maintain brisk sale-particularly of "Yours' Special Pack" (YSP) consisting of soft drink in a disposable plastic bottle and a packet of light snacks. The highway travellers prefer to stop at his store because, while their cars wait for petrol-filling, they in the meantime can enjoy Your's Special Pack (and, in some cases would help themselves with some other items in the store). Each year he could substantially enhance his sales by providing special summer price on YSP which is almost half of its regular price.

Last year while returning from Delhi, Ratan found that a new, big and modern grocery shop has come up 15 kms form Delhi on the National Highway. It has affected his sales but only marginally. But last month mother large convenience store has opened just 5km, away from his store. He knows that the challenges has come to his doorsteps and he expects to be adversely affected by the existence of these two stores. He needs to meet this challenge and decides to use the pricing strategy which he has been using quite effectively till recently. He now permanently reduces the price of YSP to half of its existing price. But at the end of the year Ratan finds that his sales in general and of YSP in particular had declined by 20 per cent.

Where has Ratan Sethi gone wrong? If he was a managerial economist, how do you think he would have handled the situation?

Questions :

a) Define price elasticity of demand and distinguish its various types. How would you measure it? Discuss the role of Price elasticity of demand in managerial decisions.

b) i) Define and explain price and cross elasticities of demand.

ii) Explain how the price elasticity of demand is related to the total revenue of the firm.

iii) Do you think that price elasticity would be greater if computed for an industry or for one firm in the industry?

