MBHC-1.2

Sl.No. : **Total No. of Pages : 2**

First Semester M.B.A. Degree Examination, June/July - 2024
(SLM Scheme) (CBCS)
MANAGEMENT
Managerial Economics

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

SECTION - A

Answer any five sub-questions. Each question carries five marks. [5 × 5 = 25]

Q1) What is Economies of Scale?

Q2) Define the term Equilibrium of a firm.

Q3) Mention the uses of long-term demand forecasting.

Q4) Differentiate micro and macroeconomics.

Q5) What is monetory and fiscal policy?

Q6) What is monopolistic competition?

Q7) Define price Elasticity of demand.

SECTION - B

Answer any four sub-questions. Each question carries Ten marks. [4 × 10 = 40]

Q8) Define monopoly and describe the measures of monopoly power of a firm.

Q9) What is meant by product differentiation? What methods are generally adopted by firms under monopolistic competition for differentiation of their products.

Q10) Explain the following concepts separately :

a) Income elasticity of demand

b) Price elasticity of demand

Q11) What is opportunity cost? Give some examples of opportunity cost.

Q12) Explain and Illustrate the relationship between marginal cost, average cost and total cost assuming a short run non - linear cost function.

Q13) In what way does Inflation contribute to economic growth? What kind of inflation affects economic growth adversely.

SECTION - C

Q14) **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 from Delhi on the National Highway. It has affected his sales but only marginally. But last month another large convenience store has opened just 5 km. away from his store. He knows that the challenge 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.

Question :

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