MBHC-1.2

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

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

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

Instruction : ***Answer all the sections.***

SECTION - A

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

Q1) "Managerial Economics is economics applied in decision making" Discuss.

Q2) Compare and contrast giffer good and normal goods.

Q3) Write a note on cost benefit analysis.

Q4) "Perfect competition is a myth" - Elucidate.

Q5) Briefly explain cross elasticity of demand with example.

Q6) What is monetary policy. Briefly explain goals of monetary policy.

Q7) Explain law of diminishing marginal returns.

SECTION - B

Answer any four questions. Each question carries ten marks : [4 × 10 = 40]

Q8) Define production function. Describe different stages of law of variable proportion with the help of the diagram.

Q9) What do you mean by monopolistic competition. Explain equilibrium of firm and industry output decision under monopolistic competition.

Q10) Explain the salient features of business cycle. How does a business man safeguard his interest against the evil effects of a business cycle?

Q11) What is national income? Elucidate difficulties in computation of national income.

Q12) Briefly explain different methods of demand forecasting.

Q13) "Break even analysis is useful in decision making" - Explain.

SECTION - C

Q14) **Case Study (Compulsory) :** **[1 × 15 = 15]**

Due to resource crunch. the public funding of educational institutions was gradually falling. The principal of a college, reputed for its business and economics courses, believed that a number of career searching young persons, both employed and unemployed, would have interest in some part-time management courses. After a detailed discussion a report was prepared which suggested that :

i) Since the college is not statutorily allowed to run an MBA course, it can run part-time post-graduate diploma in management. For all practical purposes the job market would treat this diploma as equivalent to MBA if the curriculum and faculty is at least as competent as in any of the good business schools.

ii) Though the faculty of the college is highly competent. they would need to be paid for taking classes in the evening when the unused classroom space is available in the college.

iii) Looking at the fee structure elsewhere for business courses, it is believed that the college should charge ₹ 20,000 per annum at which about 50 students would enrol themselves. After paying ₹ 3,00,000. to the participating faculty, the college could be left with ₹ 2,00,000, as other direct costs like payments for water, electricity, space, etc. would be small enough to ignore.

The principal was convinced and recommended this programme to the board of governors of the college. The chairman of the board sent it back saying that the proposal is not viable.

Principal's comment. Since this programme is going to use college facilities throughout the year, its contribution must be matched to the likely contribution from alternative uses of these facilities. If other programme gives us less than ₹ 2,00,000 we must go ahead with this programme. We need not bother about fixed overheads as these are incurred irrespective of whether this programme is run or not.

Chairman's response to Principal's letter. If we ignore fixed overheads and such other costs, we would not be meeting our fixed costs. Now, if we allow one programme on this basis many other programmes will be proposed to be run on the basis of incremental cost. When majority of the programmes are run at less than full Cost, then how will we recover the fixed overheads?

If you are asked to give the final judgement after listening to both the Principal and Chairman, how will you argue the case?

QUESTIONS

a) "Pricing in practice is completely divorced from the theory of the firm." Explain with special reference to dual pricing.

b) Discuss various techniques of price formulation in actual business situation.

c) Explain the method of cost-plus-pricing. Also state the strengths and weaknesses of traditional pricing theory.

d) Explain incremental reasoning in pricing.

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