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Department of Management
School of Management and Business Studies
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Odd Semester Examination - January 2023 – February 2023
MBA-I Semester/ MBA (I) VII Semester
MBA – FG – 106/ MBA(I) – FG-106
MANAGERIAL ECONOMICS

Duration: 3 Hours **Max Marks: 60**

Note: Attempt any Five Questions, all questions carry equal marks. [12*5=60]

Q1. (a) A manager makes the statement that output should be expanded as long as average revenue exceeds average cost. Does this strategy make sense? Explain.

(b) Agricultural commodities are known to have a price–inelastic demand and to be necessities. How can this information allow us to explain why the income of farmers falls after a good harvest?

(c) In terms of the consumer theory, can you explain the meaning of the following statements:

(i) "I think you get more for your money from Nike than from Reebok"

(ii) "I wanted to buy a Volkwagen Polo rather than a Ford Fiesta, but it just wasn't worth it". (4+4+4)

Q2: A leading breakfast cereal maker experienced a sharp drop in its sales from 50,000 packets (of 1 kg) to 30,000 packets in a month due to the introduction of a local variant. The new variant charged a price of $25 per packet, $ 5 lower than the leading brand.

(i) Calculate the arc cross elasticity of demand for the leading breakfast cereal maker.

(ii) The firm's sales improved to 40,000 packets per month with a price reduction to $27 per 1 kg packet. Calculate the elasticity of demand for the leading firm.

(iii) On the basis of the elasticity calculated in part (ii), obtain the price reduction required to restore its sales volume to 50,000 packets per month. (4+4+4)

Q3 A recent Engineering graduate turns down a job offer of ☐6,00,000 per year and starts his own business. He will invest ☐10,00,000 of his own money, which has been in a bank account earning 7 percent interest annually. He also plans to use a building he owns in Kolkata that has been rented for ☐ 30,000 per month. Revenue in the new business during the first year was ☐ 21,40,000 while other expenses were

Advertising	☐ 100,000
Rent	☐ 200,000
Taxes	☐ 100,000
Employees' salaries	☐ 8,00,000
Supplies	☐ 100,000

Determine the profits earned by the individual.

Q4: (a) What is the difference between a change in the quantity demanded and a change in demand? What factors lead to change in demand?

(b) Analyse the impact on the market demand for cosmetics under the following situations:

i) A change in the sex ratio of the population increasing the females against males in number.
ii) A general price rise in consumer product by 10 percent.
iii) An increase in excise duties on cosmetics.
iv) A decrease in income tax.
v) An increase in employment of women. (4+8)

Q5: (a) Define Indifference curve and Budget Line.
Also explain how we can derive the demand curve with help of indifference curve and the budget line.

(b) How is a break-even point different from profit maximisation point? (8+4)

Q6: (a) which of the following markets could be considered monopolistically competitive. Explain

(i) Low priced pens
(ii) Restaurants
(iii) Wall clock manufacturer

(b) Why might oligopolists be more likely to match a price cut than a price increase by a competitor?

(c) "In a perfectly competitive market, while an industry is a price-maker, an individual firm is a price-taker." Elaborate. (4+4+4)

Q7: (a) How does monopoly arise? What are its distinguishing characteristics?

(b) In what way are the three degrees of price discrimination different from each other? In the Indian business environment, what firms would you like to categorize under each degree of price discrimination. (6+6)

Q8. Explain the difference between any two of the following:

(i) Law of Diminishing returns and Decreasing returns to scale
(ii) Economies of Scale and Economies of Scope
(iii) Isoquant and Isocost (6+6)

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