

MBA Degree (FT/PT) I End Semester Examination – December, 2022

21-371-0103/21-372-0103/20-371-0103: MANAGERIAL ECONOMICS

(Regular & Supplementary)

Time: 3 Hours

Max. Marks: 50

Course Outcomes: On completion of the course, the student will be able to:-

CO1	Basic concepts of managerial economics and the reason for existence of firms.
CO2	The concept of managerial economics, market and firm
CO3	The demand and supply conditions and assess the position of a company
CO4	Real-world business problems with a systematic theoretical framework
CO5	Effect of non-price factors on products and services of monopolistic and oligopoly firms.
CO6	Competition strategies, including costing, pricing, product differentiation, and market environment according to the natures of products and the structures of the markets.

BL – Bloom’s Taxonomy: (L1- Remember, L2 - Understand, L3 – Apply, L4-Analyse, L5-Evaluate, and L6-Create)

PART A

(Answer ALL Questions. Each question carries 2 marks)

Q.Nos.	Questions	Marks	BL	CO
1.	What is market equilibrium in theory of supply?	2	2	2
2.	Would you expect the cross elasticity of demand to be positive, negative or zero for the following pairs of products. a. Domino’s and Pizza Hut b. Desks and chair c. Milma ice-cream and Men’s socks d. LG oven and Samsung Oven What is the general rule you apply to substantiate your answers	2	4	5
3.	Define Utility? What is the relationship between total utility and marginal utility?	2	2	2
4.	Differentiate between a socialist economy and capitalist economy	2	4	2
5.	Quirky oats (1 kilo) price elasticity was determined to be 1.8, what would happen to revenues if prices were raised by 10%, and why would that be the case?	2	4	4

(5x2=10 marks)

PART B
(Answer ANY FIVE Questions. Each question carries 4 marks)

Q.Nos.	Questions	Marks	BL	CO																																																																			
6.	<p>OLA the India-based mobile application where the customers use it to book cab rides of their choice, and they can take a ride anywhere, whether it's inter-city or intra-city. OLA has the concept of supply and demand wherein the price changes based on the booking requests. Suppose the bookings have exceeded the available cabs they follow the concept of contentious surge pricing feature to dampen the booking request on a real time basis. A recent study indicated that when a day's excess income is left more than 20 percent, then one would go for a price surge, then it was noticed that there was an increase in booking for about 28 percent.</p> <p>You are required to estimate the income elasticity of demand based on the above data and comment on the nature of the elasticity.</p>	4	4	4																																																																			
7.	Differentiate between monopolistic and oligopolistic markets with suitable examples	4	4	4																																																																			
8.	<p>Consider the production function given in the table below</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2"></th> <th colspan="7" style="text-align: center;">Capital</th> </tr> <tr> <th colspan="2"></th> <th>0</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> </tr> </thead> <tbody> <tr> <th rowspan="7" style="text-align: center; vertical-align: middle;">L a b o u r</th> <th>1</th> <td>100</td> <td>200</td> <td>300</td> <td>400</td> <td>500</td> <td>600</td> <td></td> </tr> <tr> <th>2</th> <td>200</td> <td>400</td> <td>600</td> <td>800</td> <td>1000</td> <td>1200</td> <td></td> </tr> <tr> <th>3</th> <td>300</td> <td>600</td> <td>900</td> <td>1200</td> <td>1800</td> <td>2100</td> <td></td> </tr> <tr> <th>4</th> <td>400</td> <td>800</td> <td>1200</td> <td>1600</td> <td>2000</td> <td>2400</td> <td></td> </tr> <tr> <th>5</th> <td>500</td> <td>1000</td> <td>1500</td> <td>2000</td> <td>2500</td> <td>3000</td> <td></td> </tr> <tr> <th>6</th> <td>600</td> <td>1200</td> <td>1800</td> <td>2400</td> <td>3000</td> <td>3600</td> <td></td> </tr> </tbody> </table> <p>a) Does the table above represent a short run or lung run production function? Substantiate your answer.</p> <p>b) What is the output at 6 units of labour and 2 units of capital</p> <p>c) What other combinations of labour and capital could be used to produce the same level of output as obtained in (b)</p> <p>d) Plot the combinations from (c) in a graph with labour (L) on X axis and Capital (K) on the Y axis. What is the resultant curve called and why?</p>			Capital									0	1	2	3	4	5	6	L a b o u r	1	100	200	300	400	500	600		2	200	400	600	800	1000	1200		3	300	600	900	1200	1800	2100		4	400	800	1200	1600	2000	2400		5	500	1000	1500	2000	2500	3000		6	600	1200	1800	2400	3000	3600		4	6	6
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	9.	Differentiate GDP and GNP. Why GDP is considered an important tool by economists and investors?	4	2	2																																																																		
10.	Why are long run average curve (LRAC) called as envelope curve. How does it help an entrepreneur in decision making?	4	5	2																																																																			
11.	Discuss the major exceptions to law of demand.	4	3	5																																																																			
12.	What is the role of managerial economics in decision making?	4	3	2																																																																			

(5x4=20mark

PART C

(Answer ANY TWO Questions. Each question carries 10 marks)

Q.Nos.	Questions	Marks	BL	CO
13.	Explain the relationship of TC, AC & MC. Illustrate them graphically	10	3	6
14.	Explain the phases of Business Cycle. How does the government try to mitigate and control the different phases?	10	2	2
15.	<p>Reliance Jio Infocomm Limited (Jio) launched in 2016 disrupted the telecom market with a variety of freebies on the Indian market, including unlimited calling and internet plans transforming the nation's telecommunications industry. Within six months of its launch, Jio became India's fourth-largest telecom provider due to its aggressive and cutting-edge rate offers. Jio continued to provide the cheapest data plans in comparison to its competitors even after the free trial period expired on March 31, 2017. This helped it in maintaining its market advantage. As Jio continued to rule the market, other significant firms were quickly surpassed. As a result of Jio's development, the market began to consolidate. Idea and Vodafone, two of the top players, announced a merger, leaving the nation with three big operators. Jio's sustained success altered the dynamics of the Indian telecom market, and experts predicted that it would eventually monopolise the market. The Supreme Court of India's ruling ordering Airtel and Vodafone Idea to pay dues totaling Rs. 410 billion and Rs. 400 billion, respectively, toward licencing fees and spectrum charges taken aback the rivals who were dealing with declining revenues, growing quarterly losses, and high debt in October 2019. These businesses were pleading with the government for assistance so they could continue operating in the market. Jio has plenty of time to carry out its objectives and strengthen its position at the expense of its rivals thanks to their issues. Jio's low costs initially appeared alluring, but it was questionable whether they could be sustained over the long term given the company's investments in network quality, coverage, and technology.</p> <p>a. Evaluate the possibility of market monopoly of Jio.</p> <p>b. What would be the repercussions of monopoly in the Indian telecom sector</p>	10	5	6

(2x10=20 marks)
