

Code No: **21BA1T2**

I MBA - I Semester Regular Examinations, APRIL -2022

MANAGERIAL ECONOMICS

Duration: 3 Hours

Max. Marks: 70

- Note: 1. This question paper contains three Parts-A, Part-B and Part-C.
2. Part-A contains 8 short answer questions. Answer any **Five** Questions. Each Question carries 2 Marks.
3. Part-B contains 5 essay questions with an internal choice from each unit. Each Question carries 10 marks.
4. Part-C contains one Case Study for 10 Marks.
5. All parts of Question paper must be answered in one place
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PART - A

5 x 2 = 10 M

1. a) What are the characteristics of managerial economics?
- b) Explain about Veblen effect?
- c) What are complementary Goods?
- d) Define law of diminishing returns.
- e) What do you mean by "Diseconomies of scale?"
- f) What is Price leadership under oligopoly market?
- g) Define Psychological pricing?
- h) What is business cycle?

PART -B

5 x 10 = 50 M

UNIT - I

2. a) Describe the nature, scope, and practical significance of managerial economics? 5 M
- b) Explain the economic principles with examples underlying the managerial decisions? 5 M

OR

3. a) Define managerial economics with the help of an example. Discuss how it is different from traditional economics? 5 M
- b) The time perspective principle and incremental cost concepts are both special application of opportunity cost reasoning. Elaborate? 5 M

UNIT – II

4. a) Why does the normal demand curve slope downwards? Can there be an upward rising demand curve? Explain with examples. 5 M
- b) What is Demand Forecasting? Explain the objectives and any two methods with their limitations. 5 M

OR

5. a) Define cross elasticity of demand with the help of an example. 5 M
- b) Discuss the factors affecting the price elasticity of demand with the help of suitable examples. 5 M

UNIT-III

6. a) What is a production function? Explain short-run and long-run production functions. 5 M
- b) Discuss the Cobb Douglas production function and its limitations. 5 M

OR

7. a) Define "cost"? Explain the various types of cost concepts with suitable examples? 5 M
- b) Write a note on (a) Contribution (b) PV ratio (c) Angle of incidence (d) Margin of safety. 5 M

UNIT – IV

8. a) Write a brief note about (a) Perfect competition, (b) Imperfect competition, (c) Monopoly market, and (d) Oligopoly markets. 5 M
- b) Explain the different pricing strategies in practice that you recommended to a firm at the time of introducing its new products to the market? 5 M
- OR
9. a) What is price discrimination and who can exercise it in which market structures? 5 M
- b) Write about the differences between a monopoly and an oligopoly. Explain the objectives of pricing? 5 M

UNIT – V

10. a) What is profit? Recommend a suitable profit policy for a well-established firm. Justify your answer? 5 M
- b) Differentiate between GDP and NDP? Describe the various methods of measuring National income? 5 M
- OR
11. a) Write a short note on (a) Innovation theory of profit (b) Risk-Bearing theory of profit (c) Marginal productivity theory of profit (d) Dynamic theory of profit. 5 M
- b) Discuss the features of the recession, trough, expansion, and recovery phases of the business cycle? 5 M

PART –C

10 M

CASE STUDY

12. Maruti Udyog Ltd (MUL) enjoys a monopoly on spare parts. Along with dealers, MUL is exploiting Maruti vehicle users. Often, the vehicle user has to change the clutch plate twice in

six months and has to pay Rs. 3,567/-. MUL charges the price of the clutch at imported cost, while the clutch plate is actually made by clutch auto private Ltd. in Faridabad. The replacement of a silencer costs Rs.800. The cost of spare parts and repairs, by any reckoning, is three to four times compared to Ambassador or Fiat. A random sample indicates that every eighth car has a faulty clutch. In the context of defective parts and exorbitant cost of repairs, saving in fuel in Maruti as compared to other auto makers is of little consequence. Maruti vehicle users in dilemma they cannot get spare parts or get their cars repaired except through Maruti Udyog or its authorized dealers. But both charge huge amounts, not giving a guarantee for a single day. MUL is thus indifferent to the genuine grievances of its customers.

Questions:

- (a) Why is MUL called a monopoly? Does it enjoy a monopoly on car manufacture?
- (b) In what way do customers suffer from monopoly practices of MUL?
- (c) What do you suggest to remedy the situation?