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Total Number of Pages: 2

MBA
15MNG 104

1ST SEMESTER REGULAR EXAMINATION, 2016-17

ECONOMICS FOR MANAGERS

Branch: MBA

Time: 3 Hours

Max Marks: 100

Q.CODE:Y623

Answer Question No.1 and 2 which is compulsory and any four from the rest.

The figures in the right hand margin indicate marks.

Q1 Answer the following questions: (2 x 10)

- Economic resources are----- and needs are-----.
- To say that people make marginal decisions means that they weigh the----- and----- of various activities before they make a decision.
- Attempts are being made to develop a biodegradable plastic using agricultural produce such as potatoes. If these attempts are successful, then equilibrium price of potatoes----- and equilibrium quantity-----.
- Elasticity of demand is affected by both----- and-----.
- Technical efficiency is a situation when use of more of----- and----- increases output.
- Economies of scale refer to a situation in which the----- decrease with increase in-----.
- A Monopolistic competitor's demand curve is more elastic than----- but less elastic than-----.
- Pricing in the light of objectives of a firm, a profit maximizing firm considers----- for determination of price and hence will adopt-----.
- In a two sector economy, circular flow of income takes place between----- and -----.
- Business cycle is the----- movement in economic activities, measured in terms of-----.

Q2 Answer the following questions: (2x10)

- Why do economists emphasize the importance of equilibrium in markets?
- Why does Opportunity costs exist?
- Is drug education better than drug interdiction? Why?
- Is it always useful for a seller to lower the price in order to increase sales revenue? Justify.
- Are Technological efficiency and economic efficiency the same? If not, distinguish
- What does Economies of scope refer to?
- Why existing products in the market can be easily imitated by any new entrant in monopolistic competition?

- h) What are the most popular strategies under product lifecycle pricing?
- i) What do you mean by the concept of deflator?
- j) What are the basic problems during recession phase?

Q3 Does Managerial Economics help the business students integrate the knowledge gained in other courses? Discuss. (15)

Q4 How can cross price elasticities of demand be used to help define the relevant firms in an industry? The cross elasticity between product A and product B is 8. Do you think that product A is likely to face an elastic or inelastic demand curve? Explain. Usually, what sign are the cross elasticities for complementary and substitute products? (15)

Q5 Illustrate the law of diminishing returns and three stages of production, assuming that the production function has only one variable input. What is the optimal use of the variable input in stage 2, if the firm wants to maximize its profits? (15)

Q6 "Monopolistic competition is the form of market organization in which there are many sellers of a differentiated product and entry into and exit from the industry are rather easy in the long run". While commenting on the same, also give the implications of each of the characteristic features of the monopolistic market. (15)

Q7 Briefly describe competition based pricing and draw linkage between them and objective based pricing. (15)

Q8 How can credit control check inflation? Would increasing supply of goods be a better measure to check inflation than credit control? Discuss. (15)