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Total Number of Pages: 03

MBA /15 MNG 104

1st Semester Regular Examination 2015-16

Economics for Management

BRANCH: MBA

Time: 3 Hours

Max Marks: 100

Q.CODE: T830

Answer Part-A which is compulsory and any four from Part-B.

The figures in the right hand margin indicate marks.

Part – A (Answer all the questions)

Q1 Fill up the blanks. Do not repeat the sentence. Write only the answer in your answer book. **(1 x 20)**

- a) A good or service is scarce if -----
- b) A rational decision maker changes the status quo, if -----
- c) Demand for inferior goods decreases as -----
- d) Movement along the supply curve reflects -----
- e) A price decline causes total revenue to increase if -----
- f) Elasticity of demand is greater in the long run than in the short run, because-----
- g) If a good is free, individuals increase consumption as long as -----
- h) Changes in marginal cost reflect changes in -----
- i) The long run average cost curve indicates -----
- j) The slope of the total cost curve at each rate of output equals _-----
- k) A firm under perfect competition maximizes economic profit by finding -----
- l) Source of monopoly power is a firm's control over -----
- m) -----may not let monopoly price rise as high as it could.
- n) Elasticity of demand for a monopolistic competitor depends on _-----
- o) Because -----, monopolistically competitive firms earn zero economic profit in the long run.
- p) Collusion is an agreement among firms in the industry to -----
- q) A Recession is best defined as a period during which-----
- r) GDP of India equals -----
- s) Double counting in the value added approach to GDP refers to ----
- t) If the CPI in 2015 was 120 and the CPI in 2014 was 130, then the inflation rate in 2015 was ---

Q2 a) Some individuals or families can become completely saturated with a service such as television. What does this suggest? **(2 x 10)**

- b) Assume that chicken and rice are staples in the diet of one particular family. How could you tell if these goods were complements, substitutes or unpopulated goods.
- c) For what reasons, supply curve generally slopes upward?
- d) Suppose the price elasticity of demand for your economics textbook is -1. If the publisher raises the price by 5%, what would be its effect on total revenue?
- e) On what do the techniques of demand forecasting depend upon?
- f) John moved his office from a building he was renting down town to the carriage house he owns in back of his house. How will his costs change?
- g) Why marginal cost eventually increases as output increases?
- h) What is the difficulty in designing an industry in monopolistic competition?
- i) What kind of pricing is viewed by Big Bazar and Shoppers' stop?
- j) How does the concept of defaulter work?

Part-B

Q3 What are the basic steps involved in all types of decision making process? How does the theory of the firm provide an integrated framework for the analysis of managerial decision making across the functional areas of business? **(15)**

Q4 a) Why do we study the consumer demand theory when it is given that our main interest in Managerial Economics is the demand that a firm faces for its products? **(7)**

b) What is Price elasticity of demand? Suppose that the price of a product is Rs.5 and quantity demanded at this price is 1000 units. Further suppose that the price falls to Rs 3 as a result the quantity demanded increases to 5000 units. The compute the arc elasticity and explain the result. **(8)**

Q5 a) Does petroleum as an energy source have good substitutes? How is this reflected in the shape of the ISO-quant for petroleum versus other energy sources? **(8)**

b) "It is always better to hire a more qualified and productive worker than a less qualified and productive one, regardless of the cost". Elucidate the statement. **(7)**

Q6 a) A perfectly competitive firm has the following total cost function: **(8)**

Total output (Units)	Total Cost per unit (Rs)
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0	20
1	30
2	42
3	55
4	69
5	84
6	100
7	117

How much the firm will produce if the price of the product in the market is Rs 14 per unit? How will it change its output if price rises to Rs 16 per unit?

b) What is social cost of monopoly? If the gains to the monopolist could be redistributed to consumers, would the social cost of monopoly be eliminated? Explain briefly. **(7)**

Q7 When can we be sure that perfect competition leads to a more efficient use of society's resources than monopoly? How prevalent are these conditions in the real world? **(15)**

OR

Q8 You are working for a large automobile manufacturer who is facing low sales in recent past. You have been asked to design a pricing strategy for such situation. What will you do? **(15)**

Q9 Why is it better to keep a check on business cycle? Is it feasible, keeping in view their obvious and inevitable occurrence? Explain. **(15)**