

Registration No. :

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Total number of printed pages – 3

MBA
MBA 103

First Semester (Back/Special) Examination – 2013

MANAGERIAL ECONOMICS

QUESTION CODE : 493

Full Marks – 70

Time : 3 Hours

Answer Question No. 1 & 2 which are compulsory and any **four** from the rest.
The figures in the right-hand margin indicate marks.

1. Answer the following questions : 2×10
- What are the fundamental problems faced by an Economy ?
 - What are the basic steps involved in all types of decision-making process ?
 - What is meant by derived demand ?
 - Distinguish between Short run and Long run.
 - Distinguish between Technological efficiency and Economic efficiency.
 - What causes excess capacity under Monopolistic competition ?
 - Why advertising is important in oligopoly ?
 - Under what conditions can EDLP be successful ?
 - Distinguish between Real and Nominal G.D.P.
 - What are price indices ? Distinguish between WPI and CPI.

2. **Case study :** 10
- Vandana Enterprise Pvt. Ltd. Is owned by the Kumar family. Mr. Ramesh Kumar, the managing director and his daughter Vandana. Jointly look after the company affairs. Mr. Gopal Kumar is the chairman, but the day-to-day operations are handled by the father and daughter team. There are about 300 employees and the sole aim of the company is to expand the market share in the textile market at home, as well as abroad. Twenty-five years ago, when the company was started in a small town in Punjab, there were around 350

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workers. The company used indigenous and old technology to produce clothes. Labour was mainly used while machines were used minimally. The plants were modernized and mechanized over the years by acquiring the latest technology from Japan and Europe, the result being that the number of machines was doubled and production quadrupled from 15,000 meters of cloth to about 62,000 meters of cloth every day. Vandana Enterprise had specialized till now only in the spinning and weaving of white linen and had no plans of changing the pattern of production. However, after acquiring a modern machine from Japan, the company started planning the printing of bed sheets, pillow covers, etc., as a market for it existed all over India. The company had, moreover, already established distribution channels and had significant presence. Moreover, the South Asian, South-East Asian and Asia Pacific region proved to be a great export market.

Mr. Kumar and Miss Kumar assumed that in order to increase their sales and make a bigger impact in the international market, the company had to improve on market information, regarding the specific needs and demands of consumers in different markets. The father and daughter team felt that the company had achieved maximum technical efficiency and the maximum production efficiency as the man-machine ratio was optimal.

Mr. Gopal Kumar, Mr. Ramesh Kumar's older brother felt that mechanizing the plants further could increase the production capacity to a great extent (more than improving on market information). Gopal Kumar didn't mind retrenching some of the labour, but Ramesh Kumar and Vandana, thought the present man-machine ratio of 1.7: 1 as maximum for the company, and the further import of the machine could not increase the production unless more people were hired—that too in exact accordance with the machines being bought/hired. Hence, the best way to improve production and sales is by improving on market information, as there is unanimous decision of the management that at no cost will more workers will be hired.

QUESTIONS :

- (a) Can you comment on the returns to scale and factors (of production) of Vanadana Enterprise which the company experienced with mechanization of its plants?
- (b) When Mr. Gopal Kumar insists that production can be increased by further mechanization of the plants, what is the assumption regarding production function that has to be valid ?
- (c) Discuss the principles of Economics which help in effective managerial decision-making.

3. Explain why is demand analysis essential for successful production planning and capital expansion ? 10
4. Which between Monopolistic competition and Monopoly is economically more efficient in allocation of resources ? Support your answer with graphical presentation. 10
5. While working for a computer manufacturing company, you have developed a software for supply-chain management. The Company has agreed to market the product. Which pricing strategy would be most suitable and why ? 10
6. No method of National income accounting is perfect. Critically evaluate the different methods of National income accounting in the context of this statement. 10
7. Which monetary and fiscal measures do you think are more effective in controlling inflation ? Give logic in support of your answer. 10

