

Registration No. :

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Total number of printed pages – 3

MBA
MGT 102

First Semester Examination – 2013

MANAGERIAL ECONOMICS

QUESTION CODE : C- 618

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
- (a) Why do economists emphasize the importance of equilibrium in markets ?
 - (b) What does it mean if the value of the price elasticity of demand is -0.2 ?
 - (c) Is it always useful for a seller to lower the price in order to increase sales revenue ?
 - (d) Why might a forecast obtained by projecting a past trend into the future give poor results even if the past patterns have remain unchanged ?
 - (e) What is true of marginal cost when marginal returns are increasing ?
 - (f) What do you mean by Technological progress ?
 - (g) What do positive implicit costs imply ?
 - (h) Why does a monopolist have no supply curve ?
 - (i) Under what conditions EDLP can be successful ?
 - (j) Why the national income accounting data are of utmost importance for the economy of any country ?

2. CASE STUDY :

Multiplex business has gained steady momentum in India. Ticket prices in such multiplexes are adjusted in accordance to the movie, time of the day and the day



P.T.O.

of the week. Hit movies on a weekend or a holiday are charged the maximum, while during weekdays, when prices are kept lower, the benefit goes to the audience. Besides taking over the metros, these multiplexes have undertaken the risk of broadening their network to the non-metros. But the game in non-metros is slightly different from that in metros. The profit margin is slightly different in the non-metros, classified according to their affordability factor, taste and preferences. During Week days, the prices of tickets vary from Rs.150- Rs.200 in the metros and soar up during the weekends making the tickets available at Rs.200-Rs.250. The morning shows are priced at Rs.60, Rs.80, or Rs.100 attracting the school and college folk. The price of tickets in non-metros varies from Rs.80-Rs.100 during the week. "Customers in these towns would not have the capacity to pay upwards of Rs.100 for a ticket, hence we have entered these towns under a separate brand name of PVR Talkies," says Ashish Shukla, CEO, PVR Talkies.

Questions :

- (a) What type of pricing strategy do you see in case of multiplexes ? Evaluate on the basis of various pricing categories. 5
- (b) Is this price discrimination or flexible pricing ? Give logic. 5
3. Discuss why managerial economics is being considered a central part of each functional area of management ? 10
4. You are working for a soft-drinks company as the marketing head. The company is planning to float a new drink which is white in colour. What lessons from the concept of elasticity can you draw while fixing the price for this new drink ? 10
5. (a) Jaiprakash, the owner of a fast food restaurant, estimated that he can sell 1000 additional burgers per day by renting more automated equipment at a cost of Rs.5000 per day. Alternatively, he estimated that he could sell an extra 1200 burgers per day by keeping the restaurant open for two more hours per day at a cost of Rs.2500 per hour. Which of these two alternatives of increasing output should jai use and why ? 5
- (b) Explain the difference between Technological progress and Economies of scale. 5

6. What are the reasons for the existence of monopoly ? Explain why a monopolist can incur losses in the short run ? 10
7. 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 ? Justify your answer. 10
8. Write short notes on : 5×2
- (a) Business cycle
 - (b) National income.
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