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MBTM-012/NMBA-012

(Following Paper ID and Roll No. to be filled in your Answer Book)

Paper ID :270102

Roll No.

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MBA

(SEM. I) THEORY EXAMINATION, 2015-16

MANAGERIAL ECONOMICS

[Time:3 hours]

[MaximumMarks:100]

Note: The Question Paper Contains three Sections.

Section-A

1. Attempt all questions of the following:

(10×2=20)

- (a) What do you mean by macro and micro economics. Give any two differences between them.
- (b) Which pricing strategies according to you can a company adopt while launching a new product
- (c) Briefly discuss the various properties of Isoquants.

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(d) If the demand curve for Tasty Burgers in India is  $Q_d = 150 - 2P$ , where  $P$  is the price of Burgers and  $Q_d$  is the quantity demanded and supply curve for the same in Mumbai is  $Q_s = 100 + 3P$  where  $Q_s$  is the quantity supplied. What is the equilibrium quantity and price of Burgers sold?

(e) Briefly define National Income.

(f) What do you mean by Business Cycle?

(g) From the following table calculate-Total Fixed Cost, Total Variable Cost, AFC, AVC

Units of output	Total Cost
0	550
1	600
2	700
3	780
4	900
5	1000

- (h) Briefly Explain how Delphi technique can be used for demand forecasting
- (i) Do you think cross elasticity will always be positive? Comment
- (j) Differentiate between Increase in Demand and Expansion of Demand

### Section-B

Attempt any five of the following: (5×10=50)

- 2. Briefly discuss the various fundamental concepts and principles of Managerial economics.
- 3. "Managerial economics is the application of economic theory to Business Management". Briefly explain the role of Managerial Economics in Decision Making.
- 4. 'A Demand function shows a functional relationship between Quantity demanded and the various factors affecting demand' In light of the given statement briefly discuss the various determinants of demand.
- 5. Discuss the various types of Elasticities. Define Price elasticity of demand. Explain in detail the methods of measuring price elasticity.

6. Write a note on Cobb-Douglas Production Function. Briefly discuss the various stages of the Law of Diminishing Returns.
7. 'Monopoly firm is a Price Maker'. Do you agree? Support your answer with reasons. In light of the given statement discuss the various features of Monopoly. Also Discuss the differences between Monopoly and Monopolistic Competition.
8. 'Inflation refers to a persistent rise in general price level'. Comment. Which tools according to you can help control inflation.
9. Discuss its various methods of measuring National Income in detail.

#### Section-C

10. Read the following case and answer the following questions given at the end of the case: (3×10=30)

Refreshing Beverages Ltd of Mumbai and Pragati Drinks Ltd are direct competitors selling food and beverages to customers at Mumbai for past more than a decade. Refreshing Beverages has been enjoying a leadership in market share for quite a few years. But for the past one year a number of changes in the regulations in this industry has led to the entry of a

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number of new players because of which the sales of Refreshing Beverages have dipped by more than 10%. The dip in the sales and profitability has been a cause of great concern for the management. Mr. Jeevan, president of Refreshing Beverages Ltd., has decided to hire a local market research company to assist his company in planning its strategy. Mr. Manik, an analysis from the research company has been handed over the task to look into the matter and take a fresh look into the demand function and the sensitivities of various factors to the demand. After extensive research using new modern methods of data collection and statistical analysis, Mr. Manik came up with Refreshing Beverages' demand function as:

$$Q_d = 1500P_x + 1750Y + 250A + 1285y - 12000$$

Where,

$Q_d$  = Quantity demanded of Refreshing Beverages

$P_x$  = Price of Refreshing Beverage's Product

$Y$  = Average income of people

$A$  = Advertising budget for Refreshing Beverages

$P_y$  = price of Pragati Drink's product (Substitute)

The current values of the independent variables are  
 $P_x = 30, Y = 12000, A = 6800, P_y = 31$

Questions:

- i) You are required to calculate the quantity demanded currently for Refreshing Beverages.
- ii) Calculate the various elasticities involved: price elasticity, Income Elasticity, cross elasticity and advertising elasticity for Refreshing Beverages Ltd.
- iii) If Refreshing Beverages Ltd increases its price by 10%. What will be the impact on demand for its product?

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