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12MBA12

First Semester MBA Degree Examination, June/July 2015
Managerial Economics

Time: 3 hrs.

Max. Marks: 100

Note: 1. Answer any THREE questions from Q.No. 1 to Q.No. 6.
2. Question No. 7 and 8 are compulsory.

- 1
 - a. Define Managerial Economics. (03 Marks)
 - b. Briefly discuss the responsibilities of a managerial economist. (07 Marks)
 - c. What is Oligopoly? What are the distinguishing features of Oligopoly Market? (10 Marks)

- 2
 - a. What is Loss Leader pricing? (03 Marks)
 - b. Critically examine the Cyert and March behavioral theory of the firm. (07 Marks)
 - c. Describe why Long Run Average Cost (LAC) curve is called as planning curve and envelope curve. (10 Marks)

- 3
 - a. What is Iso – Quant? Depict Graphically. (03 Marks)
 - b. Explain the Law of variable proportion, with the help of a diagram. (07 Marks)
 - c. Examine Baumol's Sales Maximization theory. (10 Marks)

- 4
 - a. State the Law of Supply. List the factors which determine the elasticity of supply. (05 Marks)
 - b. Briefly explain any two fundamental principles of managerial economics. (05 Marks)
 - c. Explain how pricing is done over the life cycle of a product. (10 Marks)

- 5
 - a. What is meant by internal and external economics of scale? (05 Marks)
 - b. Briefly discuss the uses of price elasticity of demand. (05 Marks)
 - c. A firm sells its product at the rate of Rs 7 per unit. The variable cost is Rs 2 per unit and the fixed cost is Rs 80,000.
 - i) Calculate the Break Even Point.
 - ii) What would be the profit if the firm sells 40,000 units?
 - iii) What would be the BEP if the firm spends Rs 4,000 on Advertisement?
 - iv) How much the seller should sell to earn profit of Rs 40,000? (10 Marks)

- 6
 - a. Explain in detail, how price and output is determined under monopolistic competition in the short – run, with the help of a diagram. (10 Marks)
 - b. Briefly explain the uses of Break – Even – Analysis in Managerial Economics. (10 Marks)

- 7
 - a. KSRTC (VOLVO SERVICE) have a capacity to carry a maximum of 10,000 passengers per month from Bangalore to Hyderabad at a fare of Rs 600. Variable costs are Rs 100 per passenger and Fixed costs are Rs 30,000 per month. How many passengers should be carried per month to Break – Even? (05 Marks)
 - b. Suppose you are a sales manager of an organization, explain how the analysis of demand contributes to business decision making. (05 Marks)
 - c. Construct a hypothetical cost schedule and bring out the cost output relationships in the short run between output and TC, TFC, TVC, AC, AFC, AVC. (05 Marks)

- d. The demand function for pepsi in Bangalore city is $Q = 400 - 4P$, where Q = quantity demanded for pepsi (in '000 bottles per week), P = price of pepsi per bottle. Construct a demand curve assuming price Rs 10, 12, 15, 20 and 25 per bottle. (05 Marks)

8 **CASE STUDY** : (Compulsory)

The Times of India is one of the leading newspapers in India. In September 1972, it reduced its price from 45 paise to 20 paise per paper while the prices of its rivals remained unchanged. The number of news papers sold by Times of India and it was as follows :

| Paper | August - 1972 | May - 1973 |
|-----------------|---------------|------------|
| Times of India | 3,55,000 | 5,18,000 |
| Deccan Herald | 10,24,000 | 9,93,000 |
| The Hindu | 3,92,000 | 4,02,000 |
| Hindustan Times | 3,25,000 | 2,77,000 |

- a. Analyze the case and summarize using appropriate concepts studies. (05 Marks)
- b. Based on the above information, find out the price elasticity of demand for TOI and state whether it is elastic or inelastic. (05 Marks)
- c. Whether the cross elasticity of demand between statesman and TOI positive or Negative? (05 Marks)
- d. Find possible reasons why demand for Hindustan Times decreased? (05 Marks)
