



## First Semester MBA Degree Examination, June/July 2019

### Economics for Managers

Time: 3 hrs.

Max. Marks:80

**Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7.  
2. Question No. 8 is compulsory.**

- 1 a. What is a production possibility curve? (02 Marks)  
b. Explain with suitable example the concept of equi-marginal principle. (06 Marks)  
c. Elaborate product life cycle pricing. (08 Marks)
- 2 a. What do you understand by fixed and variable cost? (02 Marks)  
b. Explain any five important characteristics of monopoly. (06 Marks)  
c. Explain the concept of law of demand. What causes the market demand curve for a commodity to shift up and down? Explain. (08 Marks)
- 3 a. What is skimming price? (02 Marks)  
b. Illustrate with suitable example the concept of iso-quants and iso-costs. (06 Marks)  
c. Narrate recent changes in Indian Economy. (08 Marks)
- 4 a. Write down three major components of GDP. (02 Marks)  
b. Explain Baumol's sales maximization theory. (06 Marks)  
c. 'Government of India announced its new Industrial Policy with an aim to correct the distortion and weakness of the industrial structure of the country that had developed in 4 decades; raise industrial efficiency to the international level; and accelerate industrial growth'. Explain the statement with its salient features. (08 Marks)
- 5 a. What is diseconomies of scale? (02 Marks)  
b. What do you understand by disinvestments? List out some of the objectives of disinvestments in India. (06 Marks)  
c. How does fiscal policy affect economic growth and resource allocation? How can the policy be used for improving business environment? (08 Marks)
- 6 a. List out some of the economic indicators to determine business cycle. (02 Marks)  
b. Consider the market for widgets and cogs, you study survey data and observe that if widgets cost Rs.5, then 100 widgets are demanded and 60 cogs are demanded. You also observe that if widgets cost Rs.3 then 200 widgets are demanded and 100 cogs are demanded if cogs cost Rs.2 then 125 cogs are demanded. Can the price-elasticity of demand be calculated for either goods? (06 Marks)  
c. Discuss with suitable example the law of variable proportions. (08 Marks)
- 7 a. List out some of the difficulties of Measuring National Income. (02 Marks)  
b. Explain the impact of WTO on Indian Economy. (06 Marks)  
c. Narrate Indian Economic problem and prospects. (08 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
2. Any revealing of identification, appeal to evaluator and/or equations written eg, 42+8=50, will be treated as malpractice.

8 **Compulsory:**

- a. A computer manufacturing company sells personal computer laptops and peripherals. The following information in rupees in crores was obtained from the chief accountant of the company at the end of March 2011. It was also assumed that wages are fixed cost, since the company did not lay off any worker and also that 20% of the overheads are variable. Consider yourself to be a managerial economist and analyze the information specially the BEP.

	PC	Laptops	Peripherals
Sales	2,500,000	600,000	120,000
Material	2,300,000	300,000	100,000
Wages	55,000	300,000	60,000
Overheads	50,000	50,000	20,000
Profit/loss	95,000	50,000	60,000

(08 Marks)

- b. It is anticipated that 2020-21 one fifth of cars in India will run on gas. The higher purchasing cost of gas-run vehicle is more than compensated by these lower environmental cost and better mileage. Maruti Suzuki has the widest gas run car portfolio with CNG-run Alto, WaganR, Estilo and SX4.

With a less than 5% market share and as a strategy to combat stiff competition from G.M. India (General Motors) India is set to play the alternatives fuel game. GM sees virtue in turning green and wants to do it fast, as competition is gearing up among, emerging players. GM's upcoming half a dozen joint venture products with China's SAIL will have 14 variants. Apart from the conventional diesel and petrol variants, they will have LPG and CNG versions. It already offers LPG variants of its small cars.

**Questions:**

- i) Do you think the Indian automobile market has understood the advantage of non-price competition? Analyze. (04 Marks)
- ii) Explain which market situation exist in above case. (04 Marks)

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