



CBCS SCHEME

18MBA12

First Semester MBA Degree Examination, July/August 2021 Managerial Economics

Time: 3 hrs.

Max. Marks:100

Note: Answer any FIVE full questions.

- 1 a. State three exceptions to the law of Demand. (03 Marks)
b. Discuss the nature and scope of managerial economics. (07 Marks)
c. Explain with the help of a diagram how cost can be minimized in the short run and long run. (10 Marks)
- 2 a. State any three responsibilities of "Managerial Economist". (03 Marks)
b. Explain briefly the Internal and External Economies of scale. (07 Marks)
c. Discuss the law of variable proportion, elucidating the three stages of production. (10 Marks)
- 3 a. Mention any three characteristic features of Perfect competition. (03 Marks)
b. Explain briefly:
(i) Loss Leader pricing strategy
(ii) Peak Load Pricing Strategy (07 Marks)
c. Explain the Baumol's Revenue maximizing model with the help of diagram. (10 Marks)
- 4 a. What are returns to scale? (03 Marks)
b. What are Isoquants? Describe their characteristics. (07 Marks)
c. Explain with the help of a diagram the Kinked demand curve model of oligopoly. (10 Marks)
- 5 a. Distinguish between Accounting Profits and Economic Profits. (03 Marks)
b. Explain the relationship between Average Cost and Marginal Cost function with the help of a diagram. (07 Marks)
c. Differentiate between "Monopoly" and "Monopolistic" competition. Explain pricing and output under monopolistic competition. (10 Marks)
- 6 a. What is price discrimination? Give an example. (03 Marks)
b. Explain the five types of price elasticity with the help of a diagram. (07 Marks)
c. Why is a perfectly competitive firm a 'price taker' and not a 'price maker'? Explain. (10 Marks)
- 7 a. What is Marginal Rate of Technical Substitution (MRTs)? (03 Marks)
b. Explain briefly any four survey methods of demand forecasting. (07 Marks)
c. With the help of appropriate diagrams, explain the difference between a movement along a demand curve and shift in the demand curve. (10 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.

Case Study:**Booming Indian Hotel Industry**

Based on the general features and facilities offered, The Ministry of Tourism, Government of India, classified hotels into 7 categories: Five star deluxe, Five star, Four star, Three star, Two star, One star and Heritage hotels. These apart, there are hotels in unorganized sectors that have a significant presence across the country and cater primarily to economy tourists. Encouraged by the boom in tourism and increased spending in leisure, there has been an influx of globally renowned groups by way of joint ventures.

The premium and luxury segment (High end five star deluxe and five star hotels) mainly cater to the business and up market foreign leisure travelers and offer a high quality and wide range of services. These constitute about thirty percent of the hospitality industry in India. The mid-market segment (three and four star hotels) offers most of the essential services of luxury hotels without the high cost, since the tax component of the segment are lower compared with the premium segment. The budget segment comprises one and two star hotels, which provide inexpensive accommodation to the highly price conscious segment of travelers. Heritage hotels are architecturally distinctive properties such as Palaces and Forts, built prior to 1950, that have been converted into hotels.

In the face of stiff competition, hotels in India have come up with ingenious ways to attract customers. These hotels distinguish themselves with bed, bathroom, amenities and complimentary breakfast. Other facilities may include innovation in food and beverages products, Spa, fitness centre, or other lifestyle facilities. The ongoing revolution in cuisine has been accompanied by innovations such as free standing and niche restaurants.

Questions:

- a. Do you think the hotel industry is monopolistically competitive? What all features of the Industry are suggestive of the same? (10 Marks)
- b. Comment on the differentiation offered by hotels in India. (10 Marks)

* * * * *