MANAGEMENT PROGRAMME

Term-End Examination

02669

December, 2011

MS-9 : MANAGERIAL ECONOMICS

Time : 3 hours

Maximum Marks -: 100
(Weigh tage 70%)

Note :

(i) *There are two Sections : Section - A and Section - **B**.*

(ii) *Attempt any three questions from Section - A. All questions carry **20** marks each.*

(iii) *Section - **B** is compulsory and carries **40** marks.*

SECTION-A

1. One of the most significant business and economic trends of the late twentieth century **20** is the rise of 'global' or 'stateless'. Corporation critically comment on the statement taking examples from the real world firms.

2. (a) Discuss the concept and features of monopolistic competition giving examples. 10

   (b) Explain which of the following markets could be considered monopolistically **10** competitive. Give reasons for your answer.

      (i) Automobiles

      (ii) Restaurants

3. (a) Explain the concept of economies of scale. *10*

   (b) What are economies of scope ? How do they differ from economies of scale ? 10

4. For a demand function   20

   $P = 200 - 50Q$

   or Q = 400 — 2P

   Calculate the point price elasticities when

   (a)   P =20 and Q = 180

   (b)   P = 80 and Q = 120

   and determine whether the demand is elastic or inelastic.

5. (a) Discuss the marketing approach to a Demand measurement.   10

   (b) Outline the trend projection method of demand forecasting with the help of an 10
       illustration.

SECTION - B

6. **Read the following case problem and answer the questions given at the end.** **20**

HIGHWAY BLUES

Ratan Sethi opened a petrol-pump *cum* retail store on Delhi- Agra Highway, about two-hour drive from Delhi. His store sells typical items needed by highway travellers like fast foods, cold drink, chocolates, hot coffee, children's toys etc. He charges higher price compared to the sellers in Delhi, yet he is able to maintain brisk sale-particularly of "Yours' Special Pack" (YSP) consisting of soft drink in a disposable plastic bottle and a packet of light snacks. The Highway travellers prefer to stop at his store because, while their cars wait for petrol-filling they in the meantime can enjoy Your's Special Pack (and, in some cases would help themselves with some other items in the store). Each year he could substantially enhance his sales by providing Special Summer Price on YSP which is almost half of its regular price.

Last year while returning from Delhi, Ratan found that a new, big and modern grocery shop has come up 15 kms from Delhi on the National Highway. It has affected his sales but only marginally. But last month another large convenience store has opened just 5 km. away from his store. He knows that the challenge has come meet to his doorsteps and he expects to be adversely affected by the existence of these two stores. He needs to meet this challenges and decides to use the pricing strategy which he has been using quite effectively till recently. He now permanently reduces the price of YSP to half of its existing price. But at the end of the year Ratan finds that his sales in general and of YSP in particular had declined by 20 per cent.

(a) Where has Ratan sethi gone wrong ?

(b) If he was a managerial economist, how do you think he would have handled the situation ?

7. Break - even production of a firm is 5,000 units, its fixed cost is Rs. 50,000; the variable cost per unit Rs. 25. Find out the price of the product. How much the firm should produce to earn profit of Rs. 25,000 ? **20**

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