I Semester M.B.A. Examination, February 2019
(CBCS Scheme)
MANAGEMENT
Paper 1.1 : Economics for Managers

Time : 3 Hours   Max. Marks : 70

SECTION – A

Answer any five of the following questions.   (5×5=25)

1. What are the factors that influence the price elasticity of demand ?

2. What are the causes for different stages of law of variable proportions ?

3. What are the wastes of Monopolistic competition ?

4. How 'National income' assessed in India ?

5. Discuss the concept of contraction in demand

6. The following relationship between expenditure on advertisement by a firm and its total sale during a specified period is given

Advertisement Expenditure	Sales (units 000)
1	1000
2	2400

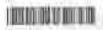Find out advertisement elasticity of demand.

7. Write a note on relationship between Average Revenue and Marginal Revenue under perfect competition.

SECTION – B

Answer any three of the following questions.   (3×10=30)

8. What makes a monopolist practice of policy discrimination ? Under what condition is such a policy adopted ? Is it always harmful ?

9. Explain the producers equilibrium position with the help of isoquant.

10. Write short notes on

1) Innovation theory of Profit

2) Cyert and March Hypothesis (Behavioural theory of firm)

11. An investigation into the demand from room heaters has resulted in the increased trend as follows :

Years	1976	1979	1982	1985
Demand of room heater (in hundred of unit)	40	45	42	53

Fit a linear regression of y on x by the least square method and find out the expected number of room heaters to be demanded in the years 1989 and 1990.

SECTION – C

(Compulsory)

Case study : 15

12. Based on the market characteristics of Airline Industry and suggest the type of Market structure it belong to. Give justification of your view. Discuss the market equilibrium conditions applicable for the Airline Industry in short run and long run.

I Semester M.B.A. Degree Examination, Jan./Feb. 2018
(CBCS) (2014-15 and Onwards)
MANAGEMENT
Paper – 1.1 : Economics for Managers

Max. Marks : 70

Answer any five of the following questions. Each question carries five marks.
(5×5=25)

1. Write the kinds of Economic decisions of firm.

2. What are Isoquants ? Discuss its importance.

3. Explain the relationship between Marginal Revenue, Average Revenue and Total Revenue curves.

4. Explain the phenomenon of decreasing return to scale. Specify its reasons.

5. Briefly discuss the degrees of price discrimination with suitable examples.

6. What is Investment function ? Explain autonomous and induced investments.

7. Briefly discuss various types of pricing strategies.

SECTION – B

Answer any three of the following questions. Each question carries 10 marks.
(3×10=30)

8. What is elasticity of demand ? What are its types ? In the following conditions, explain the nature and type of elasticity.
   • Price of apple falls by 10% and demand increases by 15%.
   • 5% increase in the demand of coffee and 10% increase in price of tea. Price of car increases by 20% and demand of petrol decreases by 10%.
   • 10% increase in the consumption of fruits and 20% increase in income.

9. An investigation into the demand for coolers in five towns has resulted in the following data :

Population of the town in lakhs	Number of coolers demanded
5	90
7	130
8	110
11	150
14	190

Fit a linear regression of y on x and estimate the demand of coolers for a town with a population of 25 lakhs.

10. In the light of theories of a business firm, Discuss
Cyert and March Behavioural Theory
Williamson's model
* Baumol's hypothesis of sales revenue maximisation
* Marris hypothesis

11. Discuss the main characteristics of Monopolistic competition. Explain with the help of diagrams, short run and long run equilibrium under monopolistic competition.

12. Compulsory case study. (15×1=15)

Karmakar, a cricket player playing in International Tests, was employed with Lichis Shoes Corporation. Karmakar faced a personal problem when playing and practising in the humid climate in India and some of the countries abroad – the sports shoes which he wore became sticky shortly after he took to the field, and by lunch time they started smelling badly. He enquired of his fellow players whether this was common or his unique problem. He came to know that this was a common problem though, of course, varying in intensity and the timing of sweating. He also came to know that, like him, the other fellow players had also experimented with all kinds of shoes available in the market, but with hardly any success.

Karmakar brought the problem to the notice of his company and was persuasive enough to make the company interested in his problem. The company wanted to understand

- Was there a real consumer need for a highly improved kind of shoe for the purpose ?
- Had the company necessary technological facilities and scientific ability to develop the product ?

  Was the size of the market for this product large enough to make the new product commercially viable ?

To confirm for itself, the company undertook market research in various forms like personal interviews, questionnaires, etc. The market research confirmed the opinion expressed by Karmakar.

The company ascertained that since it was already in shoe business it had necessary scientific and technological infrastructure to take up the project. The basic problems were, however, the justification of crores of rupees which would go in for research, development and mass production of shoes, will the likely demand be adequate enough to justify this investment, and above all, the profitability of the venture. The company found, through the surveys, that besides the consumer need for the product and the technical capacity of the firm to undertake the production of such a product, there was a large enough potential market for the product if produced on a mass scale.

After the product development was accomplished, a pilot test was conducted by supplying small quantity of these untanned shoes and given free to some players. However, the results were not encouraging because the shoes were too thin to protect the feet from damage during play. So, the product was back to the product development department. After a year's efforts, the company came out with a revolutionary design of shoes, which were thick enough to protect the feet but thin and light enough to prevent sweating of the feet in humid climates.

The accountants kept the record of costs at each stage of the product development. The accountants, with the help of the advertising group, developed a price based on estimates of how many of these new shoes could sell in terms of total potential market (50 lakh shoes every year) and how many players would take to the new shoes.

The company test marketed the product in the states of Maharashtra, Karnataka, Delhi and West Bengal. The product was named keep them and priced at Rs. 350 in the test market. The response was quite discouraging. The consumers liked the new shoes but not its price.

The company again got stuck with a problem. Is the company charging more than what it should charge ? Are the consumers poor enough not to pay the price ? Such kinds of questions were raised in the company meetings. There was however, an opinion expressed during the discussions that the price of Rs. 350 was fixed on the basis of production for test marketing, but when shoes would be mass produced, the production costs would come down.

Questions :

a) What kind of pricing technique was used while pricing ?

b) Was there any indication of using penetration or skimming pricing in the pricing decision of Lintas ?

c) What should the company do next regarding the price ?

First Semester M.B.A. Degree Examination, February 2017
(CBCS)
Management
Paper – 1.1 : ECONOMICS FOR MANAGERS

Time : 3 Hours   Max. Marks : 70

SECTION – A

Answer **any five** of the following questions.   (5×5=25)

1. What is central problem of an economic ? Discuss.

2. Explain briefly the relation between marginal cost and average cost with the help of suitable example.

3. Distinguish between extension of demand and increase in demand.

4. Discuss the factors which accounts for increasing returns to scale and decreasing returns to scale.

5. What are ridge lines ? Explain its importance in production.

6. How the measurement of national income is done in India ?

7. Find the cross elasticity of demand between X and between Y and Z for the data in table given below.

Commodity	Before		After	
	Price Rs./Unit	Quantity Units/Year	Price Rs./Unit	Quantity/Year
Y	8	150	6	200
X	4	100	4	75
Z	10	6	12	5
X	4	100	4	90

SECTION – B

Answer **any three** of the following questions : (3×10=30)

8. Prepare sales forecast for 2003 with the help of the following data :

Years	1994	1996	1999	2000	2001
Sales (in thousands units)	20	25	28	27	30

9. Price rigidity is an essential aspect of normal oligopolistic price strategy explain.

10. Explain the producer's equilibrium position with the help of isoquants curves.

11. Multiplexes in India raises price of tickets during peak hours. What type of pricing strategies are used by movie theatres ? Why ? Explain the concept of type of pricing strategies and its elements.

SECTION – C

12. Case study : (1×15=15)

The changing lifestyles of Indian consumers, alongside an increase in nuclear families, have been fuelling the trend of out-of-home consumption of food. This market's growth is further sustained by the rise in working population and the spurt in disposable incomes which have resulted in higher expenditure on eating out/ordering in. It is envisioned that these factors, along with other growth drivers, will continue to propel the market's growth over the short to long term. The spurt in the number of double-income households, is also instrumental to the restaurant market's growth. In essence, it is the convenience offered that builds the image and business of Restaurant.

The demand of a restaurant is likely to be very elastic and downward sloping because there are many other food outlets available to customers with differentiated product. But the demand is not perfectly elastic (i.e. horizontal) because, each restaurant has something to offer other restaurants do not : for instance, convenience, location, elaborate menu, or just atmosphere. There is no barrier of entry or exit. A restaurant should accept customers as long as the additional or marginal revenue exceeds the additional or marginal cost of the last meal served. This seems to be apparent in the reservation process which limits

the number of patrons. Without reservations, the restaurant would either have to serve customers in overcrowded conditions or make them wait on line. All successful restaurants have scores of imitators. Non price competition is very evident in restaurant industry. For instance, several chains have attempted to duplicate McDonald and siphoned some of its customers and profits. But, McDonald has fought back with extensive advertising. Brand name producers have a variety of means to make their products special to customers. Most important is advertisement which generic item producers would obviously not use.

Questions :

1) Which type of market competition this case belongs ? Give justification of your answer with suitable examples.

2) What are the various ways of non price competition prevailing in Restaurant industry ?

3) Do you think that the economic effect of non price competition is an overall undesirable loss of allocative and productive efficiency : the customer pays more and is able to buy less ? Give your arguments for or against non price competition.

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I Semester M.B.A. Degree Examination, February 2016
(CBCS) (2014-15 and Onwards)
MANAGEMENT
Paper – 1.1 : Economics for Managers

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer any five questions. Each question carries five marks.   (5×5=25)

1. Give the main characteristics of the Isoproduct curve.

2. The monopolist is able to gain super normal profit in the long run. Briefly explain this statement.

3. Discuss the factors which account for increasing returns to scale.

4. What is opportunity cost ? Explain with production possibility curves ?

5. Discuss the applicability of managerial economics in decision making.

6. What is price elasticity ? As a result of 10 percent fall in price of goods, its demand rises from 100 units to 120 units. Find out the price elasticity of demand.

7. How is the measurement of national income done in India ? Describe its main difficulties.

SECTION – B

Answer any three of the following questions. Each question carries 10 marks. (3×10=30)

8. Explain the producer's equilibrium position with the help of Isoquants.

9. Which kind of market structure does the restaurant industry belong to ? Justify your answer. Explain the market equilibrium of Restaurants in the short run and long run with suitable diagrams.

10. From the following table determine numerically the best level of output for the monopolist by

    1) Total approach   2) Marginal approach.

Price in Rs.	20	20	18	16	14	12	10	8
Units	0	1	2	3	4	5	6	7
TC (Total Cost)	10	25	35	42	50	60	72	87

11. Write short notes on **any two** of the following :
    1) Innovation theory of profit
    2) Discriminating monopoly
    3) Kinked demand curve.

SECTION – C

Case Study (compulsory) :   (15×1=15)

12. The consumption of Rolex bands watches is viewed as a signal of status and wealth, and whose price, expensive by normal standards, enhances the value of such a signal. If virtually everyone owns a Rolex, it is by definition not prestigious (perceived unique value). The role-playing aspects and the social value of brands can be instrumental in the decision to buy (perceived social value). For a brand which satisfies an emotional desire such as Rolex brand, a product's subjective intangible benefits such as aesthetic appeal is clearly determining the brand selection (perceived hedonic value). Rolex is derived partly from the technical superiority and the extreme care that takes place during the production process. For instance, a Rolex Sea-dweller works 1,220 meters underwater and is hand-crafted (perceived quality value). Translated into marketing terms, consumers develop prestige meanings for brands based upon interactions with people (e.g., aspired and/or peer reference group), object properties (e.g., best quality), and hedonic needs. The demand curve of Rolex is less elastic because of status attached to them due to high price. Consumer of Rolex brand measures the satisfaction derived not by the utility value, but by social status.

Questions :

1) Do you think Rolex band is an example of conspicuous consumption of Veblen Goods ?

2) Demand curve for Rolex brand should be downward sloping or upward ? Draw a hypothetical demand curve.

3) Is this an exception of law of demand ? Why ?

New Syllabus

PG – 848

I Semester M.B.A. Degree Examination, January/February 2015
(CBCS) (2014-15 & Onwards)
MANAGEMENT
Paper – 1.1 : Economics for Managers

Time : 3 Hours   Max. Marks : 70

Instruction : Calculators are *allowed.*

SECTION – A

Answer **any five** of the following questions. **Each** question carries **5** marks. Answer to **each** question should **not** exceed **250** words.   **(5×5=25)**

1. Explain the concept of PPC and its linkage with opportunity cost.

2. How are cost relationships related to the principle of diminishing return ? Elucidate with special reference to the shape of cost curves.

3. What are the types of price discrimination ? Which among them is justifiable for frequent flyer scheme of airline industry ?

4. How is the modern theory of rent an improvement over Ricardo's theory ?

5. Briefly explain Cyert and March Behavioral theory of firm.

6. Distinguish between GNP and GDP.

7. A and B company Pvt Ltd. concludes the demand function for its X product is :
   Qx = 1000 – 0.2 Px + 0.5 Py + 0.04Y + 0.01A, where
   Qx = Quantity demanded of its product
   Px = Price of x
   Py = Price of y (substitute to x)
   Y = Consumers Income
   A = Advertisement Expenditure
   At present Px = 100 Rs, Py = 120 Rs, y = 10,000 Rs and A = 6,000 Rs
   Calculate the following :
   a) Price elasticity
   b) Income elasticity
   c) Advertisement elasticity
   d) Cross elasticity

P.T.O.

SECTION – B

Answer **any three** of the following questions. **Each** question carries **10** marks. Answer to **each** question should **not** exceed **500** words. **(3×10=30)**

8. Show with the help of indifference curves how a consumer reaches equilibrium.

9. Price rigidity is an essential aspect of normal oligopolistic price strategy'. Discuss with the help of kinked demand curve.

10. Discuss the short and long run equilibrium of the firm under perfect competition with the help of suitable diagrams. Why do you think the firm is able to make only normal profit in the long run ?

11. A company has the following data :

Year	Sales
1980	100
1981	107
1982	128
1983	140
1984	181
1985	192

Estimate sales for 1986

SECTION – C

12. **Case study (compulsory).** **(1×15=15)**

Indian Cement Industry : Riding the High Trade

India is the second largest producer of cement in the world, just behind China. Indian cement industry comprises of 130 large cement plants and 365 mini cement plants with installed capacity of 172 million tonnes per annum (mtpa); these plants are located in states like Gujarat, Rajasthan and Madhya Pradesh. The large cement plants account for over 94 percent of the total installed capacity. However two large groups, viz. the Aditya Birla Group and the Holcim Group; together control more than 40 per cent of total capacity. This apart, more than

25 per cent of total capacity is controlled by global majors. These include Lafarge of France, Holderbank of Switzerland and Cemex of Mexico. The Indian cement industry is characterised by takeovers and acquisitions, which contributes to gaining market power and thus enables companies to enjoy pricing power, which is typically oligopoly.

Cement : Output and Consumption

India accounts for 6.4% of global production of 2.22 billion tonnes of cement. Indian cement industry has grown in terms of installed capacity and production. Cement production increased by over 9 per cent in FY2007, reaching 154.74 mtpa, in comparison to 12.40 per cent in FY2006, 7.07 in FY2005 and 5.19 per cent in FY2004. Decade-wise, Indian cement production has increased at 8.2 per cent (CAGR) during FY 1996-2006, as compared to 6.9 per cent during 1986-1996.

Cement consumption in India has increased by more than 10.53% during FY 2007 to 148.41 mtpa compared to 134.27 in FY 2006. During the decade 1997-2007, the cement consumption has increased by 8% at 10 yearly compound annual growth rate (CAGR). The changing face of Indian demography, growth of nuclear families, higher disposable income, changing pattern of spending, easily available home loans, increased urbanisation and growth of metro and semi-metro cities are some of the vital factors behind a tremendous spurt in the housing sector. In order to keep pace with an optimistic rate of economic growth, there is a rising demand for commercial and retail space, IT Parks and SEZs. Another recent trend has been initiated by the Government, with increase in investment in infrastructure, like National Highway Development Projects. It is expected that a construction opportunity of over ₹ 7.6 trillion will be created over next five years.

Apart from meeting the entire domestic demand, the industry is also exporting cement and clinker. The export of cement during 2001-02 and 2003-04 was 5.14 million tonnes and 6.92 million tonnes respectively. Export during April-May, 2003 was 1.35 million tonnes. Major exporters were Gujarat Ambuja Cements Ltd. and L&T Ltd.

Pricing

Cement industry has been decontrolled from price and distribution on 1st March 1989 and de-licensed on 25th July 1991. During last four years (2003-2007) cement prices have gradually increased from around ₹ 150 per bag in 2003 to ₹ 230 per bag in 2007. Cement manufacturers control over market can be gauged by the fact that even 20-25% freight hike was straight passed on to

consumers. Average industry ROCE has reached more than 26% due to the recent burst in cement prices. Encouraged by such lucrative returns cement manufactures have decided to increase capacity by more than 97 million tonnes over next three years of which 43.7 million tonnes is likely to complete in FY 2009. Thus, the cement supply will increase by more than 11% in next three years.

Cement consumption growing at around 10% and production at 11% would naturally create a situation of over production. As per estimates, cement industry will face over capacity of 17.7 mtpa in 2008 and 37.7 in 2009. Therefore it is expected that capacity utilisation will fall significantly. Further new players are likely to join the industry with huge production capacities.

Questions :

1) Do you think cement industry in India presents a good explanation of oligopoly ? Which characteristics of oligopoly do you find in the above case ?

2) How has decontrolling of cement prices helped the growth of this industry ?

3) Do you see possibilities of cartel or implicit collusion in the above case ? How ?

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