Code No: BA1902 **R14**

MBA I Semester Supplementary Examinations, May 2015
MANAGERIAL ECONOMICS
(Master of Business Administration)

Time: 3 Hours **Max. Marks: 60**

Note: Answer All Sections of Questions.

All Questions from Section- A are to be answered at one place.

SECTION–A

6 × 2 = 12M

1. Discounting principle
2. Macro Economics Vs Micro Economics
3. Supply function
4. Cobb Douglous Production Function
5. Theories of Profit
6. Price rigidity

SECTION–B

3 × 12 = 36M

1. a) Write a brief note on the role of Managerial Economist in the decision making of modern business?

(OR)

b) Define Elasticity of Demand? Explain different types of Elasticities of Demand with examples?

2. a) Define Law of Demand? Explain exceptions to the 'Law of Demand'?

(OR)

b) What do you mean by Production Function? Examine the production function with one variable input with a neat graph?

3. a) Write a brief note on CVP analysis of a firm?

(OR)

b) Critically examine how the pricing is done under Monopolistic Competition?

SECTION–C

1 × 12 = 12M

CASE STUDY

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

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 challenge 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.

Question

a) Where has Ratan sethi gone wrong ?

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