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**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR**  
**(AUTONOMOUS)**  
**MBA I Year I Semester Regular & Supplementary Examinations Jan 18**  
**MANAGERIAL ECONOMICS**

Time: 3 hours

Max. Marks: 60

**SECTION – A**

(Answer all Five Units 5 x 10 = 50 Marks)

**UNIT-I**

- 1 a Define Managerial Economics? 2M  
 b Briefly discuss the relationship of Managerial Economics with other areas? 8M

**OR**

- 2 What is the role of a managerial economist in business? 10M

**UNIT-II**

- 3 a Explain the law of demand and exceptions of law of demand? 5M  
 b What are the significances of elasticity of demand? 5M

**OR**

- 4 What are different kinds of supply elasticity and explain with a diagram? 10M

**UNIT-III**

- 5 a Describe Cobb-Douglas production function? 5M  
 b What do you understand from Isoquants? 5M

**OR**

- 6 a What are the various cost concepts? Illustrate? 5M  
 b Explain the break-even chart? 5M

**UNIT-IV**

- 7 a Compare and contrast the features of perfect competition and monopoly markets? 5M  
 b How is price determined in monopoly market structure? 5M

**OR**

- 8 a What do you understand from price discrimination? 5M  
 b Write a note on the following: 5M  
 (i) Skimming Pricing and (ii) Penetration Pricing

**UNIT-V**

- 9 a What are the methods of measurement of National Income? 5M  
 b Discuss the type and characteristic of inflation? 5M

**OR**

- 10 Discuss the various phases of business cycles 10M

**SECTION – B**

(Compulsory Question)

1 x 10 = 10M

**11 Case Study**

Due to resource crunch, the public funding of educational institutions was gradually falling. The principal of a college, reputed for its business and economic courses, believed that a number of career searching young persons, both employed and unemployed, would have interest in some part-time management courses. After a detailed discussion a report was prepared which suggested that:

- (1) Since the college is not statutorily allowed to run an MBA course, it can run part-time post-graduate diploma in management. For all practical purposes the job market would treat this diploma as equivalent to MBA if the curriculum and faculty is at least as competent as in any of the good business schools.
- (2) Though the faculty of the college is highly competent, they would need to be paid for taking classes in the evening when the unused classroom space is available in the college.
- (3) Looking at the fee structure elsewhere for business courses, it is believed that the college should charge Rs. 20,000 per annum at which about 50 students would enroll themselves. After paying Rs. 3,00,000, to the participating faculty, the college could be left with Rs. 2,00,000, as other direct costs like payments for water, electricity, space, etc. would be small enough to ignore.

The principal was convinced and recommended this programme to the board of governors of the college. The chairman of the board sent it back saying that the proposal is not viable.

*Principal's comment:* Since this programme is going to use college facilities throughout the year, its contribution must be matched to the likely contribution from alternative uses of these facilities. If other programme gives us less than Rs. 2,00,000 we must go ahead with this programme. We need not bother about fixed overheads as these are incurred irrespective of whether this programme is run or not.

*Chairman's response to Principal's letter:* If we ignore fixed overheads and such other costs, we would not be meeting our fixed costs. Now, if we allow one programme on this basis many other programmes will be proposed to be run on the basis of incremental cost. When majority of the programmes are run at less than full cost, then how will we recover the fixed overheads?

**Question:**

If you are asked to give the final judgment after listening to both the principal and Chairman, how will you argue the case?

**\*\*\* END \*\*\***