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**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR
(AUTONOMOUS)**

MBA I Year I Semester (R16) Regular Examinations January 2017

MANAGERIAL ECONOMICS

(For Students admitted in 2016 only)

Time: 3 hours

Max. Marks: 60

SECTION – A

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

UNIT-I

- Q.1** Explain the nature and scope of the Managerial Economics? 10M
- OR**
- Q.2** a. Describe behavioural theories of the firm. 5M
b. What are optimization techniques? Illustrate attaining optimization, using calculus. 5M

UNIT-II

- Q.3** Briefly explain the methods of demand forecasting? 10M
- OR**
- Q.4** a. Demand curve slopes downward from left to right. Explain? 5M
b. Define law of supply? What are the determinants of supply? 5M

UNIT-III

- Q.5** Describe the production function with one variable case? 10M
- OR**
- Q.6** a. Briefly explain the economies of scale? 5M
b. Write a note on Cost-Output function? 5M

UNIT-IV

- Q.7** a. What are features of monopolistic competition? 2M
b. Discuss price-output determination in an industry under perfect competition. 8M

OR

- Q.8** a. What do you understand from price discrimination? 6M
b. Write a note on the following:
(i) Skimming Pricing and (ii) Loss Leader Pricing 4M

UNIT-V

- Q.9** a. What do you understand from national income? 5M
b. Define inflation? What are the effects of inflation? 5M

OR

- Q.10** a. What are the characteristics of business cycles? 5M
b. How to control the business cycles? 5M

SECTION – B
(Compulsory Question)

1 x 10 = 10 Marks

Q.11 Case Study

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 travelers like fast foods, cold drinks, 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 travelers prefer to stop at his store because, while their cars wait for petrol-filling, they in the meantime can enjoy Yours' 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 to his doorsteps and he expects to adversely affect 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.

Questions:

- (1) Where has Ratan Sethi gone wrong?
- (2) If he was a managerial economist, how do you think he would have handled the situation?

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