



SIDDHARTH GROUP OF INSTITUTIONS :: PUTTUR
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QUESTION BANK DESCRIPTIVE

Subject with Code : Managerial Economics (20MB9005)
Year & Sem: I Year & I-Sem

Course & Branch: MBA
Regulation: R20

UNIT – 1

1	a) What is Managerial Economics? Explain about its Nature. b) What are the roles of managerial economist in an organization?	[L1][CO1] [L2][CO1]	[5M] [5M]
2	a) Define Managerial Economics? Explain about its Scope. Why is it considered as Micro Economics? b) Managerial economics is the integration of economic theory with business practices for the purpose of facilitating decision- making and forward planning by managers-Discuss.	[L3][CO1] [L2][CO1]	[5M] [5M]
3	In this competitive world, managerial economics bridges the gap between economic theory and business practice – Discuss.	[L4][CO1]	[10M]
4	a) Firms are running their operations with different objectives – identify what are they and discuss in detail. b) Discuss the nature and scope of managerial economics and examine its relationship with other discipline.	[L5][CO1] [L2][CO1]	[5M] [5M]
5	Examine the importance of studying managerial economics for a manager.	[L5][CO1]	[10M]
6	a) Explain about Managerial theories of firm. b) What is the theory of a firm? What are the assumptions made by economists under the theory of firm?	[L2][CO1] [L2][CO1]	[5M] [5M]
7	a) Explain about optimization techniques. b) Managerial economics is positive or normative explain.	[L2][CO1] [L2][CO1]	[4M] [6M]
8	Write short notes of following theories. a) Boumol's theory b) Marris Growth maximization	[L1][CO1] [L1][CO1]	[5M] [5M]
9	a) What is Game theory? How it is useful in context of managerial decision making process. b) What is symmetric Information?	[L3][CO1] [L2][CO1]	[7M] [3M]
10	a) Discuss Game Theory and explain its Significance. b) What are the new management tools available for optimization?	[L2][CO1] [L2][CO1]	[5M] [5M]

UNIT 2

1	Demand analysis brings many insights essential for the decision-making process-comment.	[L5][CO2]	[10M]
2	a) What is Law of demand? b) What do you mean by demand? What are the determinants of demand?	[L2][CO2] [L2][CO2]	[5M] [5M]
3	a) Explain the assumptions of law of demand. b) Discuss various types demand in economics.	[L2][CO2] [L2][CO2]	[5M] [5M]
4	a) What do you understand by the term demand forecasting? b) How demand of a particular commodity can be forecasted?	[L5][CO2] [L5][CO2]	[5M] [5M]

5	a) What are Inferior Goods?	[L1][CO2]	[3M]
	b) Write two cases where of demand curve slopes upward.	[L4][CO2]	[7M]
6	a) Briefly discuss the conditions, under which the law of demand is applicable.	[L3][CO2]	[5M]
	b) Write two factors that influence demand for good / service.	[L3][CO2]	[5M]
7	a) Define elasticity of demand and discuss its type with the help of examples.	[L3][CO2]	[5M]
	b) What is elasticity of demand? Explain different methods of measuring price elasticity of demand.	[L2][CO2]	[5M]
8	a) Identify the factors which is influencing the elasticity of demand discuss in detail.	[L4][CO2]	[5M]
	b) Elasticity of demand concept is helpful to a monopolist in fixing price – justify your answer	[L5][CO2]	[5M]
9	(a) What is a supply? Explain law of supply and supply function.	[L2][CO2]	[5M]
	(b) Discuss in detail the elasticity of supply.	[L2][CO2]	[5M]
10	a) What is the shape of the perfectly inelastic demand curve?	[L5][CO2]	[5M]
	b) What will be the shape of demand curve when the demand is unitary elastic?	[L5][CO2]	[5M]

UNIT 3

1	a) What do you mean by production? discuss various factors of production.	[L1][CO3]	[5M]
	b) What is production function? how does it help in understanding a producers equilibrium?	[L3][CO3]	[5M]
2	a) What is production function? Discuss the law of production in short-run.	[L2][CO3]	[5M]
	b) Distinguish between fixed and variable factors of production.	[L2][CO3]	[5M]
3	a) What is production function? how does a long run production function differ from a short run production function?	[L4][CO3]	[5M]
	b) Marginal Rate of Technical Substitution' what do you think about this statement?	[L5][CO3]	[5M]
4	a) What is Cobb-Douglas Production Function?	[L2][CO3]	[5M]
	b) Explain the law of production with one-variable input.	[L2][CO3]	[5M]
5	a) What do you mean by returns to scale?	[L1][CO3]	[5M]
	b) What is Economies of scale?	[L2][CO3]	[5M]
6	a) The marginal rate of technical substitution (MRTS) is the measure with which one input factor is reduced while the next factor is increased without changing the output-examine the statement.	[L5][CO3]	[5M]
	b) Discuss general properties of Isoquants.	[L2][CO3]	[5M]
7	a) Examine various features of Oligopoly markets.	[L3][CO3]	[5M]
	b) Elucidate how price and output are determined in Monopolistic competitive markets	[L3][CO3]	[5M]
8	a) Compare the cost – output relationship in the short and long-run.	[L3][CO3]	[5M]
	b)What are returns to scale and what are its three types?	[L2][CO3]	[5M]
9	a) Analyze the measurements of cost output relationship?	[L6][CO3]	[5M]
	b) How Cobb-Douglas content works in real world?	[L6][CO3]	[5M]

10	a) It is important for producers to understand cost analysis –give your comment . b) Examine the usefulness of break even analysis.	[L5][CO3] [L5][CO3]	[5M] [5M]
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UNIT - 4

1	a) Define market. b) Market structure influences the behavior and performance of firms that sell in the market- justify your answer.	[L1][CO4] [L5][CO4]	[2M] [8M]
2	a) A firm under perfect competition is a price taker and not price maker , do you agree explain in detail? b) Examine the time factor in determination of price.	[L5][CO4] [L3][CO4]	[5M] [5M]
3	a) Define monopolistic market and discuss its features. b) What are key differences between perfect competition and monopolistic competition?	[L2][CO4] [L2][CO4]	[5M] [5M]
4	a) List the features of perfectly competitive market. b) Define duopoly market and discuss its features.	[L3][CO4] [L2][CO4]	[5M] [5M]
5	What is price discrimination? Discuss who can exercise price discrimination and in which market structure it can be exercised?	[L5][CO4]	[10M]
6	a) Justify the price and output determination under monopoly different from that under perfect competition? b) What do you understand by non- price discrimination?	[L5][CO4] [L6][CO4]	[5M] [5M]
7	a) Write down the means that can be adopted by the firms for non-price competition in which market structure? b) What is price discrimination and who can exercise it in which market structure?	[L6][CO4] [L6][CO4]	[5M] [5M]
8	a) Explain different pricing practices in India. b) Elaborate the concept “Pricing of multiple products” system?	[L1][CO4] [L5][CO4]	[5M] [5M]
9	a) Examine the pricing objectives which are commonly adopted by a firm. b) In a skimming price is that where the initial price is high and slowly lowering them- comment on this statement.	[L5][CO4] [L5][CO4]	[5M] [5M]
10	Write a short note on; a)skimming pricing b)penetration pricing 3)loss leader pricing 4)pricing of multiple products.	[L2][CO4] [L2][CO4] [L2][CO4] [L2][CO4]	[2M] [2M] [3M] [3M]

UNIT 5

1	Justify the significance of national income analysis in managerial economics.	[L5][CO5]	[10M]
2	a) What do you mean by national income? b) Discuss the methods of measuring national income. Which one do you like the most and why?	[L1][CO5] [L6][CO5]	[3M] [7M]
3	a) What do you understand of inflation? b) Give its causes and effects on different sections of society?	[L2][CO5] [L5][CO5]	[5M] [5M]
4	a) Examine the characteristics of inflation. b) Briefly explain the features and types of inflation.	[L3][CO5] [L2][CO5]	[5M] [5M]

5	Discuss the functions that can be performed by managerial economist under different phases of business / trade cycle.	[L6][CO5]	[10M]
6	Examine the various strategies and features of Recession, trough, expansion and recovery phase of business cycle in a current business environment.	[L3][CO5]	[10M]
7	a) Argue the trade cycle and its process. b) Explain any two major theories of inflation.	[L4][CO5] [L1][CO5]	[5M] [5M]
8	a) Categorize the problems a manager faces while formulating profit policy of a business concern. b) Discuss why study of GDP is helpful in making investment decisions for a profit-aiming firm?	[L4][CO5] [L5][CO5]	[5M] [5M]
9	a) What are the effects of Anti- inflation? How does it affect product market? b) 'Phases of business cycle-steps to avoid business cycles'. Substantiate this statement.	[L6][CO5] [L5][CO5]	[5M] [5M]
10	a) Discuss what are Gross Domestic Product and Net National Product. b) Discuss why gross domestic saving is important in developing economies like India .	[L2][CO5] [L5][CO5]	[5M] [5M]

CASE STUDY- I

Despite stiff increase in tariff by Doordarshan (DD) in March 1987 actual revenue declined.

This study indicated that the number of small and medium advertisers which was on the increase before the tariff hike has now been on decline. Further there has also been a noticeable shift in favor of 20 and 10 seconds spots from 30 or more second's spots before the hike in tariff. The study found that there has been a steep decline in the actual number of advertisements on Doordarshan. This is across all TV centers and program segments. But it was more significant in the case of channel II of Delhi and Bombay.

The second channel of Bombay DD TV had no advertisements since the increase in tariff as against revenue of Rs.15, 000/- to Rs.20, 000/- per month in the corresponding months of the previous year.

In case of Delhi DD TV's second channel, the number of advertisements declined from a rate of 40 to 65 per month in May to July 1986 to a rate of 12 to none between May to July 1987. Even the actual revenue has fallen. It was about Rs.55, 000/- to 71,000/- per month in May-June period of 1986. In the current year, however, it developed to Rs.28, 000/- in June and was nil by July 1987.

Questions:

- What happened to revenue after tariff hike for advertisement in DD?
- Why has revenue declined?
- Is the price-elasticity of demand for DD TV advertisements high/low/zero?
- What tariff (or price) policy should DD follow for TV advertisements?

CASE STUDY- II

Government intervention

The price of raw sugar recently reached its highest level since 1981 due to problems with supply. Historically, raw sugar has traded at between 10 and 12 US cents per pound at the New York Board of Trade. But the price increased to over 18 cents last month.

Growing demand in Brazil for sugar to be turned into ethanol for fuel, coupled with a sharp fall in Indian production have both been factors in the price increase.

Sugar production in India for 2008-09 fell 45% year-on-year due to less rain in the monsoon season damaging a number of agricultural crops.

The London-based International Sugar Organization predicts that global consumption of sugar is likely to outstrip production by 9m tones next year, forcing food companies and governments to dig into stockpiles. In the US, snack producers including Mars, Nestlé and Krispy Kreme Doughnuts put pressure on the US government to relax import controls, warning that otherwise they might run out of sugar.

Commentators predict that most shoppers will be unaffected because sugar is such a small part of a consumer's typical spending in a week that no one will notice an increase in price.

Questions

- 1.Explain, using supply and demand analysis, why the price of sugar has been increasing recently.
- 2.Do you think the supply and the demand for sugar is price elastic or inelastic? Justify your choices and explain whether this means any given change in supply or demand will have a bigger effect on the equilibrium price of quantity.
- 3.In what ways is the market for sugar used in confectionery related to the market for ethanol?
- 4.How might companies such as Mars and Nestlé react to an increase in the price of sugar?

CASE STUDY- III

The demand for gas

The freezing cold spell at the beginning of 2010 not only increased demand for road salt, but it increased demand for gas in the UK. Usage reached 454 cubic metres; the previous record was 449m set in January 2003. The National Grid which is responsible for energy in the UK issued several warnings in a matter of days that demand could outstrip supply and asked supplier so increase the supply. The National Grid also told major gas users, such as power plants, to reduce demand.

Big generators, such as E.On, have both gas-fired and coal-fired power stations and are able to choose between the two. In total, 27 large gas users were asked to switch - 12 in the East Midlands and 15 in the North West.

Questions

- 1.Illustrate the effect of the cold spell on the demand for gas using a demand curve diagram.
- 2.Illustrate the effect of the National Grid instructing major gas users to reduce their demand.
- 3.Analyses two other factors that you think influence demand for gas.
- 4.Do you think demand for gas is price elastic or price inelastic? Explain your reasoning.

CASE STUDY- IV

Facebook

Firms in India are losing productivity because of Facebook. Office staff are spending too long on the social networking site. According to The Associated Chambers of Commerce and Industry (Assocham) employees use Orkut, Facebook, Myspace, and LinkedIn for "romancing" and other purposes. On average, employees spend an hour a day on sites like Facebook. This reduces productivity by 12.5%. Nearly half of office employees accessed Facebook during work time. Some 83% saw nothing wrong in surfing at work during office hours. In September 2009 Portsmouth City Council in England banned staff from accessing Facebook on its computers when it was discovered that they spent, on average, 400 hours on the site every month.

Question

1. What is meant by productivity?
2. Analyze the impact on a fall in productivity on costs.
3. Analyze the possible consequences for businesses in India of banning access to Facebook and other social networking sites.
4. Do you think access should be denied?

CASE STUDY- IV

Jindal Pvt. Ltd. was established in 1995. The company started manufacturing of Water Geyser with a brand name of 'Ganga'. During initial 10 years, the company made good profits. But, its profits gradually declined due to competition from national brands. The promoters of the company had a committed team of workers who were constantly working on Research and Development. Finally, they came out in the year 2006, with an innovative product, named Maha Ganga which runs even at very low voltage and consumes less electricity. Thus, the company is monopoly manufacturer of 'Maha Ganga'. The company is currently supplying its products in geographically separated markets of Punjab and Haryana. The company is currently charging the same price in Himachal Pradesh and Uttarakhand. The Chief Economist of the company has informed the top management that price elasticity of demand at currently-charged price is 3 in Himachal Pradesh and 5 in Uttarakhand. The top management is planning to charge two different prices in Punjab and Haryana in order to make more profits.

Questions :

- (1) Will it be possible for the company to charge two different prices in Himachal Pradesh and Uttarakhand ? If yes, under what conditions? Explain.
- (2) Will it be profitable for the company to charge two different prices in Himachal Pradesh and Uttarakhand ? - Explain.
- (3) Given the volume of total production, supply will be transferred from Himachal to Uttarakhand or from Uttarakhand to Himachal. Why? (Assume that transport cost for supplying the product in both the states is the same for the company.)