

JU - 2918

I Semester M.B.A. (Day/Eve.) Degree Examination, Jan./Feb. 2006
(Updated Scheme)
MANAGEMENT
Paper - 1.2 : Business Economics

Time : 3 Hours

Max. Marks : 75

SECTION - A

1. Answer **any six** of the following sub-questions. **Each** sub-question carries **2** marks. (6×2=12)
- Define business economics.
 - What is profit ?
 - Distinguish between Industry and Market.
 - Define market demand.
 - Define production function.
 - What is inflation ?
 - Define national income and disposable income.
 - State the consumption function.
 - What are rational expectations ?

SECTION - B

- Answer **any four** of the following. **Each** question carries **5** marks. (4×5=20)
- Explain the concepts of 'time perspective' and 'discounting'.
 - Briefly state the cardinal utility theory of consumer choice.
 - Explain the laws of returns to scale using iso-quants.
 - Distinguish between traditional and modern theory of costs.
 - Explain Bain's limit pricing theory.
 - Comment on Baumol's theory of sales revenue maximisation.

P.T.O.

SECTION - C

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

8. Explain elasticities of demand and discuss their usefulness in managerial decision-making.
9. Discuss the relevance of national income to business.
10. Explain structural adjustment measures introduced in India. Critically examine their implications on Indian business.
11. Discuss the features of monopolistic market situation. Draw a diagram to show equilibrium of the firm with excess capacity.
12. Is perfect competition a possibility? Give reasons for your views.

SECTION - D

13. Case : Despite Tariff Hike, Earnings from TV Ads slumps. (1×13)

Despite stiff increase in tariff by Doordarshan 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. There has also been a significant shift in favour of 20 and 10 seconds spots from 30 or more seconds 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 evident across all TV centres and programme segments. But it was even more significant in the case of Channel II of Delhi and Bombay.

The Second Channel of Bombay TV had no advertisements since the increase in tariff as against a revenue of Rs. 15,000 to Rs. 20,000 per month in the corresponding months of the previous year.

In the case of Delhi 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 Rs. 71,000 per month in May-July period of 1986. In the current year, however, it dropped to Rs. 28,000 in June and was nil by July 1987.

Questions :

- i) What happened to revenue after tariff hike for advertisements in Doordarshan?
 - ii) Why has revenue declined?
 - iii) Is the price-elasticity of demand for TV Ads high/low/zero?
 - iv) What tariff policy should Doordarshan follow for TV Ads?
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