First Semester M.B.A. Degree Examination, February 2017
(CBCS)
Management
Paper – 1.1 : ECONOMICS FOR MANAGERS

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any five** of the following questions. **(5×5=25)**

1. What is central problem of an economic ? Discuss.
2. Explain briefly the relation between marginal cost and average cost with the help of suitable example.
3. Distinguish between extension of demand and increase in demand.
4. Discuss the factors which accounts for increasing returns to scale and decreasing returns to scale.
5. What are ridge lines ? Explain its importance in production.
6. How the measurement of national income is done in India ?
7. Find the cross elasticity of demand between X and between Y and Z for the data in table given below.

Commodity	Before		After	
	Price Rs./Unit	Quantity Units/Year	Price Rs./Unit	Quantity/Year
Y	8	150	6	200
X	4	100	4	75
Z	10	6	12	5
X	4	100	4	90

P.T.O.

SECTION – B

Answer **any three** of the following questions : **(3×10=30)**

8. Prepare sales forecast for 2003 with the help of the following data :

Years	1994	1996	1999	2000	2001
Sales (in thousands units)	20	25	28	27	30

9. Price rigidity is an essential aspect of normal oligopolistic price strategy explain.

10. Explain the producer's equilibrium position with the help of isoquants curves.

11. Multiplexes in India raises price of tickets during peak hours. What type of pricing strategies are used by movie theatres ? Why ? Explain the concept of type of pricing strategies and its elements.

SECTION – C

12. Case study : **(1×15=15)**

The changing lifestyles of Indian consumers, alongside an increase in nuclear families, have been fuelling the trend of out-of-home consumption of food. This market's growth is further sustained by the rise in working population and the spurt in disposable incomes which have resulted in higher expenditure on eating out/ordering in. It is envisioned that these factors, along with other growth drivers, will continue to propel the market's growth over the short to long term. The spurt in the number of double-income households, is also instrumental to the restaurant market's growth. In essence, it is the convenience offered that builds the image and business of Restaurant.

The demand of a restaurant is likely to be very elastic and downward sloping because there are many other food outlets available to customers with differentiated product. But the demand is not perfectly elastic (i.e. horizontal) because, each restaurant has something to offer other restaurants do not : for instance, convenience, location, elaborate menu, or just atmosphere. There is no barrier of entry or exit. A restaurant should accept customers as long as the additional or marginal revenue exceeds the additional or marginal cost of the last meal served. This seems to be apparent in the reservation process which limits the number of patrons. Without reservations, the restaurant would either have to serve customers in overcrowded conditions or make them wait on line. All successful restaurants have scores of imitators. Non price competition is very evident in restaurant industry. For instance, several chains have attempted to duplicate McDonald and siphoned some of its customers and profits. But, McDonald has fought back with extensive advertising. Brand name producers have a variety of means to make their products special to customers. Most important is advertisement which generic item producers would obviously not use.

Questions :

1) Which type of market competition this case belongs ? Give justification of your answer with suitable examples.
2) What are the various ways of non price competition prevailing in Restaurant industry ?
3) Do you think that the economic effect of non price competition is an overall undesirable loss of allocative and productive efficiency : the customer pays more and is able to buy less ? Give your arguments for or against non price competition.