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I Semester M.B.A. (Day/Evening) Degree Examination, August - 2021

MANAGEMENT

Economics For Business Decisions

(CBCS Scheme 2019-2020)

Paper : 1.4

Time : 3 Hours **Maximum Marks : 70**

SECTION - A

Answer any **Five** questions, each question carries **5** marks. **(5×5=25)**

1. Explain the concept of Production Possibility Curve (PPC) and its importance.
2. What do you understand by Ridge Line? How can you find out the economic region with the help of these lines?
3. Explain the difference between GNP & GDP.
4. Explain the model developed by Cyert and March. Explain the model on "objectives of firms" developed by Cyert & March.
5. What are the exceptions to the Law of Demand? Give suitable examples?
6. Explain the difference between total utility and marginal utility.
7. Suppose, you have the following relationship between expenditure on advertisement by a firm and its total sale during a specified period.

   Relationship between advertisement expenditure and sales:

Advertisement Expenditure Rs. in Crore	Sales (Units '000)
1	1000
2	2400

   Find out advertising elasticity of demand.

SECTION - B

Answer any **Three** questions, each question carries **10** marks. **(3×10=30)**

8. What is price discrimination? Explain different degrees of price discrimination which among the three degrees of price discrimination seems to be the most unrealistic to you? Why?
9. Write short notes on:

   i) Business Cycles.

   ii) Skimming & Penetration pricing.

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10. Explain the producers equilibrium position with the help of Iso Quants.

11. Below are given figures of production (in thousand tons) of a Sugar factory:

Years	2014	2015	2016	2017	2018	2019	2020
Production ('000 tons)	77	88	94	85	91	98	90

Project the trend of Sales in the next five years.

SECTION - C

Compulsory Question **(1×15=15)**

12. Case Study

Battle in the Domestic Skies

The battle in the domestic skies is set to become fiercer with time. National carrier Air India plans to cut last-minute fares, between five days to the last hour before departure, on select routes.

"We aim to fill 80 per cent seats six days before the departure. If that does not happen. We are looking at offering the inventory at lower rates", said a top Air India official, who did not want to be identified. Air India would not lose as it would get some money from a seat that would otherwise have gone empty. "The aim is to get revenue from empty seats, even if we fill them at lower rates", he said. This comes close to the airline announcing a steep fare cut from May 1, 2011. Its lowest fare for the summer season is 15 per cent less than what the low cost carriers are charging.

Air India is the largest airline in the country in terms of fleet, but it is number four in terms of market share (15.8 per cent), behind jet, Kingfisher and IndiGo. The airline has already improved its passenger loading factor(PLF). Between April 2010 and February 2011, the international PLF rose from 63.5 per cent to 65 per cent, while the domestic sector saw an increase from 70.2 per cent to 71.4 per cent. The industry average is above 80 per cent.

Questions:

1. Do you see the beginning of a price war in domestic air travel? If yes, who will be the ultimate gainer?
2. Could Air India think of some non-price aspects to improve its market share? Discuss.