



MBA (Fintech) I Semester Supplementary Examinations June 2019

MANAGERIAL ECONOMICS

(For students admitted in 2018 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

(Answer the following: 05 X 10 = 50 Marks)

- 1 What is profit maximisation? Is profit maximisation always the aim of a business firm? If not what are the other objectives.

OR

- 2 Briefly explain the Baumol's theory of sales revenue maximization.

- 3 What is demand? Which are the factors influences the demand in the market?

OR

- 4 A departmental store conducted a study of the demand for men's shirts. It found that the average daily demand (D) in terms of price (P) is given by the equation $D = 700 - 5P$.

- How many shirts per day the store expects to sell, at a price of Rs 100 per shirt?
- What price it should charge if it wants to sell 100 shirts per day?
- What is the highest price any one would be willing to pay

- 5 Briefly explain types of internal economies of scale.

OR

- 6 Explain the behavior of Total Cost (TC), Total Variable Cost (TVC) and Total Fixed Cost using suitable cost-output diagram.

- 7 Explain the price output decision under monopolistic competition in the long run with the help of diagram.

OR

- 8 Explain the different types of pricing strategies with example.

- 9 What is inflation? Discuss the types and effects of inflation.

OR

- 10 Explain the characteristics and phases of business cycle.

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11 Case Study:

During a recession period in the United State, CEO of the General Motor Ford and Chrysler commonly decided that it is not worthwhile to close down some of the operating plants and lay off workers. It is rather cheaper to sell cars to rental companies at lower prices even at a loss to lay off workers. This is because the recession – auto sales slump is a temporary phenomenon and once recovery period begin, restarting of a closed down plant would be more expensive. Further layoff would mean a high compensation to be paid to the workers when their services are terminated, under the union contract.

Contd. in page 2



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In other words CEO's observed loss of profit in sales (LS1) would be lesser than the costs of lay out and again additional cost in re-opening of the closed plants (CS2)

$LS1 > CS2$

LS1 = Strategy1 i.e selling at loss

CS2 = Strategy2 i.e lay off workers

It is therefore better to select the strategy1 rather than2, selection of strategy2 is not desirable as it would shatter the image of the company as one of the best employer

Questions:

- (a) What is the decision making problem of CEO's of general Motor?
- (b) What course of action thought out by CEO?
- (c) What is strategy2?
- (d) Which strategy is suitable for the automobile industry?

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