

Total No. of Pages : 2

Register Number :

**7027**

Name of the Candidate :

**M.B.A. DEGREE EXAMINATION MAY 2014.****(BUSINESS APPLICATIONS)****(SECOND YEAR)****210 — ECONOMICS FOR MANAGERS**

Time : Three hours

Maximum : 75 marks

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**SECTION A****Answer any FIVE questions.****(5 × 3 = 15)****All questions carry equal marks.**

1. Explain comparative advantage from trade with example.
2. Write a note on arbitrage.
3. What do you mean by variable pay?
4. How the workers are motivated?
5. What do you mean by compensating wage?
6. Define collusion.
7. Write a note on average revenue.
8. Explain the term balance of payments.

**SECTION B****Answer any THREE questions.****(3 × 10 = 30)****All questions carry equal marks.**

9. Explain covered and uncovered interest.
10. How to hire the right people?
11. Explain the need of foreign direct investment for the growth of Indian economy.
12. Write a note on Tournament Model.
13. Difference between Homogeneous and differential products.

**SECTION C****Answer any ONE question.****(1 × 15 = 15)**

14. What are the techniques available to measure price elasticity of demand?
15. What are the general principles of labour and personnel economics?
16. Explain the procedures to enter foreign markets.

**SECTION D****(Compulsory)****(1 × 15 = 15)**

17. Two companies, Burwell and Safecook, have LPG refilling plants in a remote rural area. Due to its lower cost Burnwell is the price leader and safecook the price follower. The cost function for Burnwell is  $T_c = 400 + 3Q - 0.00024 Q^2$  (where  $T_c$  = total refilling cost and  $Q$  = number of cylinders filled). The market demand curve for that area is estimated as  $P = 8 - 0.0072 Q$

Recently Standard Gas (SG) is considered entering this rural area. Till now SG had confined its operations to a metropolis, about 150 kilometres away from this rural area, SG is a large firm and its variable cost is 25% less than the minimum average cost of Burnwell. But SG's disadvantage lies in its distance from the market. Due to high transportation cost, SG's delivered cost (which includes production plus transportation costs) would be 40 percent higher than its average variable cost. As a matter of police, SG will enter the rural market only if it earns 25 per cent over its delivered cost.

- (a) Will Standard Gas enter the isolated rural market?
- (b) As a decision-maker, what strategy do you think is the best for Burnwell?