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Total No. of Pages : 03

Total No. of Questions : 09

MBA (Executive) (Sem.-1)
MANAGING THE ECONOMIC DIMENSIONS

Subject Code : MBX-104

M.Code : 74213

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains TEN questions carrying TWO marks each and students has to attempt any EIGHT questions.
2. SECTION-B consists of SEVEN questions each carrying SEVEN marks each and student has to attempt any FIVE questions.
3. SECTION-C is consist of ONE Case Study carrying NINE marks.

SECTION-A**1. Answer briefly :**

- a. Distinguish between Micro Economics and Macro Economics.
- b. How will increase in price of coffee affect the demand for tea if tea & coffee are close substitutes of each other?
- c. If price of a commodity falls from Rs. 60 per unit to Rs. 58 per unit, its demand rises from 300 to 400 units. Find out the elasticity of demand for the commodity.
- d. What are fixed casts? Give example.
- e. In which market form is there product differentiation? Give example.
- f. What is cost based pricing strategy?
- g. Define National Income.
- h. What do you mean by Repo Rate?
- i. What is Inflationary gap?
- j. What are the features of Recession?

SECTION-B

2. Explain how consumer's equilibrium is attained when marginal utility of a product in terms of money is equal to its price?
3. What is demand forecasting? What are various techniques of demand forecasting?
4. What is the law of returns to scale? What are the three stages of returns to scale?
5. Explain how price is determined under oligopoly market?
6. Suppose there are only three industries in an imaginary economy namely X, Y and Z and the following information about their transactions is :
 - a. X buys Rs. 100 worth of goods from Y, sells Rs. 200 worth of goods to Z and Rs. 100 worth of goods to households.
 - b. Z sells Rs 400 worth of goods to households; calculate value of output and income generated by each of the above industries.
7. If the demand and supply of a commodity both increases, the equilibrium price may not change, may increase or may decrease. Explain it with the help of diagrams.
8. Describe what are the monetary measures to control inflation?

SECTION-C

9. **Answer all the questions given at the end of the case study :**

The terrorist attack on New York's World Trade Center on 11 September 2001 led to a sharp downturn in demand for air travel. Many airlines quickly reduced their number of flights and the number of aircraft in service. Those planes that were not expected to be put back in service for some time, if at all, were parked in the desert in the southwest of the United States. (The dry air of the desert means that the metal planes will not rust as they would in a damp climate). The airlines could have considered selling their unwanted planes, but their second-hand value would have been very low when most other airlines had excess capacity at the same time. Moreover, the planes that were 'parked' tended to be older models which had already had many years of service.

Eventually, however, decisions have to be taken about whether these planes should be sold, put back into service or broken up for the spare parts that can be stripped out. This

decision will clearly be based on whether average variable cost of running (and restoring) an old plane will be less than the average variable cost of running other planes in the fleet, which in turn remains less than the average total cost of buying new planes.

The following is an extract from a newspaper article on this subject :

Airlines will be forced to scrap planes worth \$1.3 billion (£910 million) that were grounded during the traffic downturn caused by the September 11 terrorist attack.

Research by Boeing, the aircraft maker, reveals that two-thirds of the 2,000 planes grounded after the attacks will not return to the skies. They are likely to be used for spares or scrapped altogether.

Airline analysts said the aircraft would be worth about \$1 million each as scrap.... A new aircraft can cost up to \$80 million.

The cut will be the largest cull of the world's commercial fleet. Usually, about 250 aircraft are scrapped each year..... Large American firms have used the downturn to bring forward the retirement of swathes of their fleet. American Airlines, for example, has decided to rationalize its fleet from 11 plane types to six. (Dominic O'Connell, Sunday Times, 24 March 2002, page 3 of Business section.)

Question :

- a. What do you mean by Shut Down point?
- b. Explain in the light of above case what should the airlines do when their variable costs cannot be covered?

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.