

Register number

**M.B.A DEGREE EXAMINATIONS: NOV/DEC 2010**

First Trimester

**MASTER OF BUSINESS ADMINISTRATION**

MBA503: Economics for Managers

**Time: Three Hours**

**Maximum Marks: 100**

**Answer All the Questions:-**

**PART A (1 x 20 = 20 Marks)**

**1. Case Study**

**MONOPOLY DRUGS VERSUS GENERIC DRUGS**

According to our analysis, prices are determined differently in monopolized markets and competitive markets. A natural place to test this theory is the market for pharmaceutical drugs because this market takes on both market structures. When a firm discovers a new drug, patent laws give the firm a monopoly on the sale of that drug. But eventually, the firm's patent runs out, and any company can make and sell the drug. At that time, the market switches from being monopolistic to bring competition.

What should happen to the price of a drug when the patent runs out? This is approximately true for many drugs. During the life of the patent, the monopoly firm maximizes profit by producing the quantity at which marginal revenue equals marginal cost and charging a price well above marginal cost. But when the patent runs out, the profit from making the drug should encourage new firms to enter the market. As the market becomes more competitive, the price should fall to equal marginal cost.

Experience is, in fact, consistent with our theory. When the patent on a drug expires, other companies quickly enter and begin selling so-called generic products that are chemically identical to the former monopolist's brand-name product. And just as our analysis predicts, the price of the competitively produced generic drug is well below the price that the monopolist was charging.

The expiration of a patent, however, does not cause the monopolist to lose all its market power. Some consumers remain loyal to the brand – name drug. perhaps out of fear that the new generic drugs are not actually the same as the drug they have been using for years. As a result, the former monopolist can continue to charge a price at least somewhat above the price charged by its new competitions.

Quick Quiz Explain how a monopolist chooses the quantity of output to produce and the price to charge.

**PART B (10 x 2 = 20 Marks)**

2. What is meant by trade off in economics?
3. Differentiate between micro and macro economics
4. Define price elasticity of demand
5. Define marginal product
6. What is meant by oligopoly market?
7. What is meant by cartel?
8. Differentiate between average and marginal cost.
9. What is meant by price discrimination?
10. What are the 4 components of business cycle?
11. Define Trade balance in BOP

**PART C (4 x 15 = 60 Marks)**

12. (a) Describe the factors that influence the demand for a product / service with suitable examples.

**(OR)**

- (b) What is meant by elasticity? Describe the various types of demand curves based on elasticity by the use of graph.

13. (a) What are various types of cost of product? Draw the graph that describe the inter relationships between them.

**(OR)**

- (b) Discuss the various objectives of Business. Can profit maximization be the sole objective of business?

14. (a) Compare and contrast between oligopoly and monopolistic competition.

**(OR)**

- (b) What are the various pricing strategies? Discuss each of them with suitable example.

15. (a) Define GDP. Describe how GDP growth is influenced by Business cycle

**(OR)**

- (b) What are the monetary instruments? Describe each of them.

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