

**M.B.A. DEGREE EXAMINATIONS: NOVEMBER 2009**

First Trimester

**MBA503: ECONOMICS FOR MANAGERS****Time: Three Hours****Maximum Marks: 100****Answer ALL the Questions:-****PART A (1 x 20 = 20 Marks)**

## 1. Case Study:-

Mr. Rakesh Desai, the Chairman of Annapurna Food Products Ltd. (AFPL), calls a special meeting of the Board of Directors of his company. He reels out a lot of data and estimates for building a case for his company entering into a new venture, viz., the production of soft drink of fruit pulp variety – a product closely related to the company's present business of food. Moreover, given the growth figures of soft drink business in the past 20 years, the prospects of its growth in future seem to be quite strong.

Mr. Desai impresses upon the members the urgency of taking the decision because it will help maintain the profitability level that the company has achieved now. Any delay, he believes, will the loss of a very fruitful opportunity which may not be available again for a long time.

To convince the members he stresses the following aspects:

- a) There is likely to be stiff competition from the two existing dominant companies – the Highlands and the Lowlands – their main product being cola drinks.
- b) There is still room for entry, as has been revealed by the successful entry of new players in the field in the past years.
- c) AFPL has experience in the manufacturing of food products (which are allied items) and in the bottling activity. No new bottling plant would be needed. The company has a well-developed transportation and distribution network existing at present. However, no cost details have been worked out regarding these factors.
- d) AFPL, being late entrant, can introduce the latest technology and would, therefore, have cost advantage.
- e) The soft drink market has reasonably good returns but it is a highly risky market.
- f) Developing brand loyalty is likely to be costly and extremely difficult, though the promotional efforts should be greatly aided by the fact that the company has a high degree of consumer recognition.

Mr. Desai feels that the above information is good enough for the members to give a 'go-ahead' signal for the new project. He wants the Board to take decision immediately as this opportunity should not be missed.

Question:-

If you were one of the Directors, what will be your reaction to this proposal? Should we or should we not enter into this venture? Present your case.

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

2. Write any two characteristics of managerial economics.
3. What is Equi-marginal principle?
4. What do you understand by Complementary Good?
5. What is promotional elasticity of demand?
6. What is meant by short run production function?
7. What is learning curve?
8. What is shutdown point?
9. What is cartel?
10. What is multiplier?
11. What do you understand by EPZ?

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

12. (a) "Managerial economics bridges the gap between economic theory and business practice."  
Discuss.

(OR)

- (b) Explain the various functions of a managerial economist.

13. (a) (i) What are the determinants of demand? (9)  
(ii) What are the exceptions to the law of demand? (6)

(OR)

- (b) Explain the various methods of forecasting.

14. (a) Explain the various bases of market classifications.

(OR)

- (b) Describe the various pricing practices.

15. (a) Explain the parameters that influence level of economic activity.

(OR)

- (b) Evaluate the role of fiscal and monetary policies in the growth and direction of Indian Industry.

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**Time: 1 1/2**

1. Case Study

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Date

2003

April 6

April 20

April 27

May 13

May 20

June 17

June 28

Prepare a

the LIFO

2. What are the

3. Write a short

4. What is meant

5. What is meant

6. Journalize

Goods distributed

7. What is meant