



MBA DEGREE EXAMINATIONS: NOV /DEC 2024

(Regulation 2024)

First Semester

MASTER OF BUSINESS ADMINISTRATION

24BAT505: Managerial Economics

COURSE OUTCOMES

- CO1:** Explain how managerial economics helps in business decisions and assess how Demand and supply affect a company's market position.
- CO2:** Apply competitive strategies like costing, pricing, and product differentiation to Different products and market conditions.
- CO3:** Summarize key concepts and current updates of National Income, business cycles, and economic policies, and assess their roles in promoting economic development.

Time: Three Hours

Maximum Marks: 100

PART A (1Q x 20 Marks = 20 Marks) Compulsory

1.

RBI's Monetary Policy Announcement – December 2024

CO3 [K₅]

The Reserve Bank of India (RBI), in its latest Monetary Policy Committee (MPC) meeting held in December 2024, decided to maintain the repo rate at 6.5%, citing inflationary pressures as a key factor. Additionally, the central bank reduced the Cash Reserve Ratio (CRR) by 50 basis points, bringing it down to 4%. Governor Shaktikanta Das emphasized that while inflation showed signs of moderation, underlying risks, including volatile global crude oil prices, warranted a cautious approach.

The decision to lower the CRR was aimed at increasing liquidity in the banking system, thereby enabling banks to enhance their lending capacities. This move aligns with the RBI's objective to stimulate economic growth, especially amid signs of slowing private investments and reduced industrial output. The central bank also projected GDP growth for FY 2024-25 at 6.3%, slightly lower than earlier estimates, attributing the downward revision to global headwinds and domestic challenges.

During the announcement, the RBI highlighted that while retail inflation had softened to 5.7%, it remained above the medium-term target of 4%. The unchanged repo rate reflects the central bank's stance to maintain a balance between controlling inflation and supporting growth. Market reactions were mixed, with the stock market showing resilience and the rupee appreciating marginally against the dollar, reflecting confidence in India's economic fundamentals.

The MPC also emphasized that future monetary policy decisions

would depend on incoming data, particularly trends in inflation and growth indicators. Stakeholders in various sectors are now strategizing based on the implications of these announcements, such as borrowing costs for businesses and the overall lending environment.

Questions for discussion

1. Assess the monetary policy approach of RBI and its objectives. (10 Marks)
2. Evaluate the RBI's decisions impact economic growth and inflation in the coming months? (10 Marks)

PART B (5Q x 16 Marks = 80 Marks)

All the questions are compulsory

2. a) Cars in India are set to become costlier starting January 2025 as original equipment manufacturers (OEMs) across the mass-market and luxury segments have announced price hikes. Companies such as Maruti Suzuki India, Hyundai Motor India, Mahindra & Mahindra, JSW, MG Motor India, Mercedes-Benz India, and BMW India will increase car prices by up to 4%. According to the carmakers, these price hikes are driven by rising input costs, including increased commodity prices, higher operational expenses, adverse exchange rates, and a surge in logistics costs. CO1 [K₆]

Questions for discussion

- a. Evaluate the likely impact of these price hikes on the demand for cars in both the mass-market and luxury segments. (6 Marks)
- b. Discuss the type of elasticity of demand faced by each segment in response to these price increases (10 Marks)

(OR)

2. b) **India's EV Growth Amid Rising Fuel Prices** CO1 [K₅]
 India's electric vehicle (EV) market has shown significant growth, driven by rising fuel prices, government incentives such as the FAME II scheme, and a robust focus on sustainable mobility. According to IBEF and EV India, the number of registered EVs surged from 1.3 million in 2018 to over 15 million by 2023, demonstrating an eleven-fold increase. Key policies like the upcoming FAME III aim to refine subsidies and address challenges like affordability, local manufacturing, and infrastructure development.

This momentum aligns with global efforts to reduce carbon emissions and achieve a sustainable future. The Indian government's target includes 30% EV penetration in private cars and 80% in two- and three-wheelers by 2030, as part of the "Make in India" initiative.

Note : The FAME II (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles) scheme, launched in 2019, focuses on promoting EV adoption through subsidies for electric two-wheelers, three-wheelers, and buses, along with incentives for public charging infrastructure. The upcoming FAME III aims to further enhance affordability, bolster local manufacturing capabilities, and expand EV infrastructure to support India's ambitious mobility goals

Questions for discussion

- a. How would be rising fuel prices influence the demand for EVs in

India? Explain determinants of demand are most significant in this scenario. (6 marks)

b. Given the increasing affordability of EVs due to government subsidies, discuss how the price elasticity of demand for EVs might change. Would the demand become more elastic or inelastic over time? Explain. (10 marks)

3. a) Identify how firms can balance economies and diseconomies of scale to optimize production costs and maintain efficiency as they expand CO2 [K₃]

(OR)

3. b) 1.Explain the key features of an Isoquant and an Isocost line (8 Marks) CO2 [K₅]
2.Explain how the combination of Isoquants and Isocost helps firms in determining the optimal input combination for cost minimization. (8 Marks)

4. a) Quick commerce, or q-commerce, refers to the rapid delivery of goods (typically groceries, personal care, or snacks) within a short time frame, usually in 30 minutes or less. The Indian market has seen the rise of players like Blinkit (formerly Grofers), Zepto, and Swiggy Instamart, which have significantly disrupted the traditional retail sector. This sector primarily operates under an oligopolistic market structure, with a few key players competing for market share in a rapidly growing and highly competitive industry. CO2 [K₆]

In this sector, companies benefit from economies of scale and large investments in technology, logistics, and warehousing. However, intense competition is pushing firms to innovate and lower delivery costs, while also dealing with challenges related to customer acquisition, pricing pressures, and profitability. With increasing consumer demand for convenience and fast delivery, the sector has attracted significant investment, but it is still evolving.

Questions for discussion

1.Discuss the market structure of the Quick Commerce industry. (6 Marks)

2.Elaborate the potential short-term and long-term impacts of rapid delivery services on the profitability of competing quick commerce platforms (10 Marks)

(OR)

4. b) Flipkart's super.money app has entered the highly competitive UPI market, dominated by PhonePe, Google Pay, and Paytm, which accounted for 94% of transactions by volume and 96% by value as of March 2023. Other key players in the market include Amazon Pay, PayZapp, and BharatPe, all striving to capture a share of the rapidly growing UPI transaction space. As the second e-commerce brand to enter this space after Amazon Pay's 2019 launch, super.money aims to position itself as a youthful and innovative alternative. The app emphasizes unique features such as credit on UPI, attractive cashback offers, seamless bank integrations, and plans for financial products like co-branded credit cards, fixed deposits, and instant CO2 [K₅]

loans to cater to diverse consumer needs. (Reference: AFQS Reporter)

Questions for discussion

1.Explain is the market structure of the UPI industry? (6 Marks)

2. Appraise the potential short-term and long-term impacts of competing brands on the profitability of Flipkart's super. Money app. (10 Marks)

5. a) In December 2024, the Indian government imposed an 18% Goods and Services Tax (GST) on the sale of used vehicles by registered dealers. This move excludes direct sales between individuals, which remain outside the GST regime. The decision aims to standardize the taxation of used vehicle sales by formalizing the market and improving tax compliance in the automotive sector. By taxing sales made by registered dealers, the government intends to ensure that the burgeoning used car market contributes to tax revenue, while individuals buying or selling vehicles privately remain unaffected by the tax.

CO3 [K₆]

The imposition of GST on used vehicles sold through dealers is expected to impact the pricing dynamics in the used car market. Consumers may face higher costs due to the tax, which could also affect demand for used cars. Registered dealers will have to adjust their pricing strategies to accommodate the new tax, potentially passing the tax burden onto consumers. This change also emphasizes the importance of formalizing the used vehicle market to bring it in line with the broader GST framework.

Questions for discussion

1.Discuss the potential impact of imposing an 18% GST on used vehicle sales by registered dealers. How might this affect the pricing, demand, and competition in the used car market? (10 marks)

2.Evaluate the long-term implications of excluding direct sales between individuals from the GST regime while taxing used vehicle sales by registered dealers. How does this distinction affect tax compliance and market dynamics? (6 Marks)

(OR)

5. b) What is National Income? Discuss national and the various measures of income, their definitions, formulas, and the contexts in which each measure is most applicable in evaluating a country's economic performance.
6. a) Discuss how do the inflation control mechanisms adopted by the two selected countries differ, and how would you evaluate their effectiveness in managing inflationary trends?

CO3 [K₆]

CO3 [K₆]

(OR)

6. b) Evaluate the causes of unemployment and analyze its economic and social consequences on individuals and society.

CO3 [K₅]
