

OR

- b) What is Elasticity of Demand? Explain Price, Cross and Income Elasticity of Demand used in managerial decision making process.
- c) What is Empirical Production Function? Explain the optimum combination of inputs with diagrams.

OR

- d) What do you mean by Monopoly? How price and output is determined in short and long run in Monopoly Competition?
- e) What is Cost of Capital? Explain its structure and role in international competitiveness.

OR

- f) Describe the Oligopoly Model in detail.
- g) Evaluate the trend Projection method and collective opinion method of demand forecasting.

OR

- h) Explain equilibrium of a firm under perfect competition in short run.

Printed Pages : 4



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MAM-301

(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 293301

Roll No.

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SPL. THEORY EXAMINATION 2014-15

MANAGERIAL ECONOMICS

Time : 3 Hours]

[Total Marks : 100

Note: Attempt all questions.

Part-I

- 1. Attempt only four parts of the following: 5×4=20
 - a) What are Giffen goods?
 - b) Is Price elasticity of demand always negative for all goods?
 - c) Distinguish between Arc elasticity and point elasticity?
 - d) What are opportunity costs?
 - e) Distinguish between Implicit and Explicit cost.
 - f) Is Sunk. cost a barrier to entry?

Part-II

2. **Case study:** 10×3=30

In an economy growing with rapid growth of middle class, compensation of consumer durables is an indicator of level of urbanization. Purchase of automobiles is important indicator of consumer buying behaviour. Contribution of auto industry to GNP has been increasing steadily. Global car manufacturers have flocked to the country. But in order to establish the have to know Indian customers, their specific tastes, preferences and demand determinants. To begin with, since cars are still high priced product (Maruti 800 has changed this perception) the level of income is important determinant. Given that inflation is more or less under control, which in turn is because of the active support to agriculture by govt. which sets floor prices for agricultural products and gives subsidies to but fertilizers and electricity, making non-urban sector a potential market. Non-urban area is divided in to rich farmers, plantation owners and absentee landlords who diversified into other businesses. First kind of market segment is on the basis of income group. Logically, buying behaviour in terms of attitudes towards price, brand consciousness and taste will be different for non-urban buyers when compared to their urban counterparts. There are cars in the economy segment, mid segment and premium segment. Market research suggests that people from semi and non-urban India envisage heavy- looking brightly colored goods as

sign of strength, durability and sturdiness. Generally speaking, demand is going to be elastic since cars are still considered luxury items, especially in small towns and rural areas. Heavy advertising and B2C communication in urban areas are helping manufactures develop brand image. Urban buyer tends to be less price-sensitive. In cities, equal number of women drivers who prefer delicate looking cars. There is an inverse relationship between price and quantity demanded. Studying demand patterns, proper positioning of car and gaining market share becomes more important as supply of passenger car ever since the sector has been deregulated has far outstripped actual demand for cars, making this a buyers' market.

Questions:

- i) Discuss determinants of demand for passenger cars in India.
- ii) What role does non-urban India play in forming demand in auto-market?
- iii) What role do you think govt. plays as far as non-urban demand is concerned?

Part-III

3. Attempt all the questions: 12.5×4=50
- a) Explain in detail the nature and scope of Managerial Economics. How Micro Economics differ from Managerial Economics.