PG – 1076

I Semester M.B.A. Degree Examination, February 2016
(CBCS) (2014-15 and Onwards)
MANAGEMENT
Paper – 1.1 : Economics for Managers

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any five** questions. **Each** question carries **five** marks. **(5×5=25)**

1. Give the main characteristics of the Isoproduct curve.
2. The monopolist is able to gain super normal profit in the long run. Briefly explain this statement.
3. Discuss the factors which account for increasing returns to scale.
4. What is opportunity cost ? Explain with production possibility curves ?
5. Discuss the applicability of managerial economics in decision making.
6. What is price elasticity ? As a result of 10 percent fall in price of goods, its demand rises from 100 units to 120 units. Find out the price elasticity of demand.
7. How is the measurement of national income done in India ? Describe its main difficulties.

SECTION – B

Answer **any three** of the following questions. **Each** question carries **10** marks. **(3×10=30)**

8. Explain the producer's equilibrium position with the help of Isoquants.
9. Which kind of market structure does the restaurant industry belong to ? Justify your answer. Explain the market equilibrium of Restaurants in the short run and long run with suitable diagrams.
10. From the following table determine numerically the best level of output for the monopolist by

    1) Total approach 2) Marginal approach.

Price in Rs.	20	20	18	16	14	12	10	8
Units	0	1	2	3	4	5	6	7
TC (Total Cost)	10	25	35	42	50	60	72	87

P.T.O.

11. Write short notes on **any two** of the following :
    1) Innovation theory of profit
    2) Discriminating monopoly
    3) Kinked demand curve.

SECTION – C

Case Study **(compulsory)** : **(15×1=15)**

12. The consumption of Rolex bands watches is viewed as a signal of status and wealth, and whose price, expensive by normal standards, enhances the value of such a signal. If virtually everyone owns a Rolex, it is by definition not prestigious (perceived unique value). The role-playing aspects and the social value of brands can be instrumental in the decision to buy (perceived social value). For a brand which satisfies an emotional desire such as Rolex brand, a product's subjective intangible benefits such as aesthetic appeal is clearly determining the brand selection (perceived hedonic value). Rolex is derived partly from the technical superiority and the extreme care that takes place during the production process. For instance, a Rolex Sea-dweller works 1,220 meters underwater and is hand-crafted (perceived quality value). Translated into marketing terms, consumers develop prestige meanings for brands based upon interactions with people (e.g., aspired and/or peer reference group), object properties (e.g., best quality), and hedonic needs. The demand curve of Rolex is less elastic because of status attached to them due to high price. Consumer of Rolex brand measures the satisfaction derived not by the utility value, but by social status.

Questions :

1) Do you think Rolex band is an example of conspicuous consumption of Veblen Goods ?
2) Demand curve for Rolex brand should be downward sloping or upward ? Draw a hypothetical demand curve.
3) Is this an exception of law of demand ? Why ?