PG – 703

I Semester M.B.A. (Day & Eve.) Examination, June/July 2024
(CBCS) (2021 – 22)
MANAGEMENT
Paper – 1.1 : Economics for Managers

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any five** of the following. **Each** question carries **five** marks. **(5×5=25)**

1. What are the central problems of an Economic system ? Discuss.
2. Discuss the difference between economies of scale and diseconomies of scale.
3. What is iso-quant ? What are the properties of iso-quant ?
4. Suppose a firm has its Total Revenue (TR) and Total Cost (TC) functions estimated as follows :

   $TR = 300Q - 3Q^2$ and $TC = 500 + 50Q + 2Q^2$.

   Find profit function of the firm and quantity that maximizes the firm's profit.
5. What is peak load pricing ? Discuss with an example.
6. Why is the U-Shape of the long average curve less pronounced than the short run average cost ?
7. Write a note on GDP and GNP.

SECTION – B

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

8. Explain price determination under perfect competition in the short run and long run.
9. With the help of following data, project the trend of sales for next 5 years.

Year	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Export Sales (in Rs. lakhs)	120	140	150	170	190	200	227

P.T.O.

10. What is cartel ? Explain price determination under cartel system. Assuming that there are only two firms, show how market demand is divided between the two firms.

11. Explain the nature and scope of the Indian business environment, highlighting its internal and external dimensions. Discuss how understanding these dimensions is essential for businesses operating in India.

SECTION – C

12. **Compulsory** question. It carries **fifteen** marks. **(1×15=15)**

Pricing strategies play a crucial role in economic decision-making for businesses, influencing market dynamics, consumer behavior and firm profitability. This case study explores various pricing strategies employed by companies across different industries, analyzing their economic rationale, implementation techniques and outcomes. Company B, a leading technology company, launches a highly anticipated new gaming console with cutting-edge features and advanced capabilities.

To capitalize on the enthusiasm of early adopters and technology enthusiasts, Company B adopts a price skimming strategy, setting the initial price of the console at a premium level. This premium pricing strategy allows Company B to maximize revenue from consumers who are willing to pay a premium to be among the first to own the latest technology.

Over time, as demand from early adopters diminishes and production costs decline, Company B gradually lowers the price of the console to attract a broader segment of consumers, including price-sensitive buyers.

Questions :

a) Discuss the economic rationale behind price skimming for Company B, considering product differentiation and demand elasticity.

b) How does price skimming affect consumer surplus and market segmentation in the technology industry ?

c) Evaluate the effectiveness of price skimming in maximizing revenue and capturing consumer value for Company B.
