USN | | | | | | | | | | | **20MBA12**
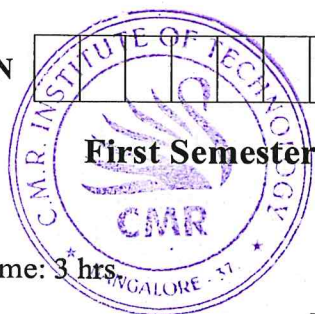
First Semester MBA Degree Examination, July/August 2021
Managerial Economics

Time: 3 hrs.   Max. Marks:100

Note: *Answer any FIVE full questions.*

1   a. What do you understand by the term "marginalism"?   (03 Marks)
    b. Explain the reasons for internal and external economics of scale.   (07 Marks)
    c. Critically analyze the advantages and disadvantages of quantitative and qualitative methods of demand forecasting.   (10 Marks)

2   a. What is the difference between open and closed economy?   (03 Marks)
    b. Explain the various determinants of supply.   (07 Marks)
    c. Illustrate graphically and explain how the equilibrium of a firm under perfect competition in the short run is achieved.   (10 Marks)

3   a. What is marginal rate of technical substitution?   (03 Marks)
    b. Relate the principal agent problem with Williamson's theory of maximization of managerial utility function.   (07 Marks)
    c. Explain the features of New Industrial Policy of 1991.   (10 Marks)

4   a. What is indifference curve?   (03 Marks)
    b. What is PESTEL analysis? Explain its significance in macro-economic analysis.   (07 Marks)
    c. Describe the various determinants of price elasticity of demand.   (10 Marks)

5   a. What do you understand by the term "fiscal policy"?   (03 Marks)
    b. Briefly explain the various factors which determine the formation and sustainability of cartels.   (07 Marks)
    c. Describe the various economic principles relevant to managerial decisions.   (10 Marks)

6   a. What is kinked demand curve?   (03 Marks)
    b. Explain the various instruments of monetary policy.   (07 Marks)
    c. Discuss the various methods of measuring the national income.   (10 Marks)

7   a. How positive economics is different from normative economics?   (03 Marks)
    b. Depict and explain various stages of law of returns to scale graphically.   (07 Marks)
    c. Which are the exceptions to the law of demand? Explain and give suitable examples.   (10 Marks)

8   Case Study:

Booming business: Indian Hotel Industry

Based on the general features and facilities offered, the Ministry of Tourism, Government of India classifies the hotels into 7 categories: five star deluxe, five star, four star, three star, two star, one star and heritage hotels. These apart, there are hotels in the unorganized sectors that have a significant presence across the country and cater primarily to economy tourists. Encouraged by the boom in tourism and increased spending on leisure, there has been an influx of globally renowned groups by way of joint ventures.

The premium and luxury segment (high end 5 star deluxe and 5 star hotels) mainly cater to the business and up market foreign leisure travelers and offer a high quality and wide range of services. These constitute about 30% of the hospitality industry in India. The mid market segment (3 and 4 star hotels) offers most of the essential services of luxury hotels without the high costs, since the tax component of this segment are lower compared to the premium segment. The budget segment comprises of 1 and 2 star hotels, which provides inexpensive accommodation for highly price conscious segment of travelers. Heritage hotels are architecturally distinctive properties such as palaces, forts, built prior to 1950s, that have been converted to hotels.

In the face of stiff competitions, hotels in India have come up with ingenious ways to attract customers. These hotels distinguish themselves with beds, bathrooms, amenities and complimentary breakfasts. Other facility may include innovations in food and beverages products, spa, fitness centre or other lifestyle facilities. The ongoing revolution on the cuisine has been accompanied by innovations such as free standing and rich restaurants.

Questions:

a. What kind of competition is existing in the present case and explain the features of such competition stricture.   (05 Marks)
b. Explain how prices and output decisions are made in such competitions?   (06 Marks)
c. Will advertising change the structure of competition in hotel industry?   (04 Marks)
d. Which pricing approaches and strategies are appropriate for this industry?   (05 Marks)

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