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| CMR<br>INSTITUTE OF<br>TECHNOLOGY |   |  |           | USN <table><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> |  |            |    |  |      |   |  |         |        |     |  |  |  |  |  |  |  |  |  |  |  | <div><div>CELEBRATING 25 YEARS</div><div></div><div>CMR INSTITUTE OF TECHNOLOGY, BENGALURU.</div><div>ACCREDITED WITH A++ GRADE BY NAAC</div></div> |  |  |  |
|                                   |   |  |           |  |  |            |    |  |      |   |  |         |        |     |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| Internal Assessment Test - I      |   |  |           |  |  |            |    |  |      |   |  |         |        |     |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| Sub:                              | ECONOMICS FOR DECISION-MAKING   |  |           |  |  |            |    |  |      |   |  | Code:   | MBA103 |     |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| Date:                             | 06-02-2025  |  | Duration: | 90   |  | Max Marks: | 50 |  | Sem: | I |  | Branch: | MBA    |     |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| SET- III                          |   |  |           |  |  |            |    |  |      |   |  |         |        |     |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
|                                   |   |  |           |  |  |            |    |  |      |   |  | Marks   | OBE    |     |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
|                                   |   |  |           |  |  |            |    |  |      |   |  |         | CO     | RBT |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
|                                   | Part A - Answer Any Two Full Questions ( 2* 20 = 40 marks)  |  |           |  |  |            |    |  |      |   |  |         |        |     |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| 1 (a)                             | Differentiate Industry and firm.<br><u>Answer:</u><br>Industry is group of firm.<br>Firm is individual entity.  |  |           |  |  |            |    |  |      |   |  | [03]    | CO1    | L2  |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| (b)                               | Explain the determinants of demand.<br><u>Answer:</u><br>1. Price<br>2. Income<br>3. Climate<br>4. Government policy<br>5. Taste and preference<br>6. Price of substitute product<br>7. Culture<br>8. Economic conditions   |  |           |  |  |            |    |  |      |   |  | [07]    | CO3    | L5  |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| (c)                               | Discuss Baumols theory of firm.<br><u>Answer:</u><br>A firm has to concentrate more on sales maximization or revenue maximization rather than profit maximization<br><u>Assumption</u><br>1. Profit as a Constraint<br>2. Separation of Ownership and Control<br>3. Static Market Conditions<br>4. U-shaped Cost Curve<br>5. Price and Output Determination<br>6. Non-Price Competition<br>7. Monopolistic or Oligopolistic Market<br>8. Single Product Focus |  |           |  |  |            |    |  |      |   |  | [10]    | CO4    | L2  |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
|                                   |   |  |           |  |  |            |    |  |      |   |  |         |        |     |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| 2 (a)                             | What do you mean by production?<br><u>Answer:</u><br>Conversion of raw material into finished goods.  |  |           |  |  |            |    |  |      |   |  | [03]    | CO4    | L3  |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| (b)                               | Explain market equilibrium.<br><u>Answer:</u><br>Demand is equal to supply  |  |           |  |  |            |    |  |      |   |  | [07]    | CO3    | L5  |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |
| (c)                               | Explain the changes in supply.<br><u>Answer:</u><br>1. Extension and contraction<br>2. Increase or decrease in supply or shift in supply.   |  |           |  |  |            |    |  |      |   |  | [10]    | CO2    | L5  |  |  |  |  |  |  |  |  |  |  |  |   |  |  |  |

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| 3 (a) | <p>Define Managerial economics.</p> <p><b>Answer:</b><br/>Integration of economic theories with business practices to facilitate decision-making and forward planning.</p>  | [03] | CO2 | L2 |
| (b)   | <p>Explain the factors of production.</p> <p><b>Answer:</b></p> <ol style="list-style-type: none"> <li>1. Land</li> <li>2. Labor</li> <li>3. Capital</li> <li>4. Organization</li> </ol>  | [07] | CO3 | L3 |
| (c)   | <p>What is income elasticity? Explain the degrees.</p> <p><b>Answer:</b><br/>The proportion of changes in demand due to changes in income of the customer.<br/>Degrees</p> <ol style="list-style-type: none"> <li>i. Positive Income Elasticity of Demand: <ol style="list-style-type: none"> <li>a. Unitary Income Elasticity of Demand: (<math>e_y = 1</math>).</li> <li>b. More than Unitary Income Elasticity of Demand: (<math>e_y &gt; 1</math>).</li> <li>c. Less than Unitary Income Elasticity of Demand: (<math>e_y &lt; 1</math>)</li> </ol> </li> <li>ii. Negative Income Elasticity of Demand:</li> <li>iii. Zero Income Elasticity of Demand: (<math>e_y = 0</math>)</li> </ol>   | [10] | CO4 | L5 |
|       |   |      |     |    |
| 4     | <p>A popular local coffee shop in a bustling city center offers premium coffee at varying prices. For the past several months, the shop has priced a standard coffee at \$4 per cup. The manager is curious to see how changes in price affect customer demand for coffee, and decides to experiment by increasing the price to \$5 per cup to see if demand decreases, in line with the Law of Demand. And criticize the law of demand.</p> <p><b>Answer:</b></p> <ul style="list-style-type: none"> <li>❖ Inferior goods/ Giffon goods.</li> <li>❖ Prestige goods.</li> <li>❖ Demand for necessities.</li> <li>❖ Fear of shortage.</li> <li>❖ Ignorance.</li> <li>❖ Commodities which are out of fashion.</li> <li>❖ Festival, marriage etc.</li> <li>❖ Brand loyalty.</li> <li>❖ Bandwagon Effect</li> </ul> | [10] | CO4 | L5 |

| Course Outcomes (COs) |  | PO1       | PO2 | PO3             | PO4 | PO5 | PSO1      | PSO2 | PSO3             | PSO4               |
|-----------------------|--|-----------|-----|-----------------|-----|-----|-----------|------|------------------|--------------------|
| <b>CO1:</b>           | The student will understand the application of Economic Principles in Management decision making.  | 1a,       |     | 2a              |     |     | 1a,<br>3a |      |                  |                    |
| <b>CO2:</b>           | The student will learn the microeconomic concepts and apply them for effective functioning of a Firm and Industry.                         | 2c        | 3a  |                 |     |     |           | 2c   |                  |                    |
| <b>CO3:</b>           | The Student will be able to understand, assess and forecast the demand.  | 1b,<br>2b |     |                 |     | 3b  |           |      | 1b,<br>2b,<br>3b |                    |
| <b>CO4:</b>           | The student will apply the concepts of production and cost for optimization of production  |           |     | 1c,<br>3c,<br>4 |     |     |           |      |                  | 1c,<br>2a,<br>3c,4 |
| <b>CO5:</b>           | The student will design competitive strategies like pricing, product differentiation etc. and marketing according to the market structure. |           |     |                 |     |     |           |      |                  |                    |
| <b>CO6</b>            | The student will be able to understand the impact of macroeconomic concepts.   |           |     |                 |     |     |           |      |                  |                    |

| Cognitive level | KEYWORDS   |
|-----------------|--|
| L1 - Remember   | list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.   |
| L2 - Understand | describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss   |
| L3 - Apply      | calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify  |
| L4 - Analyze    | classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select   |
| L5 - Evaluate   | asses, decide, choose, rank, grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate |
| L6 - Create     | design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate  |

**PO1–Theoretical Knowledge; PO2–Foster Analytical and Critical Thinking Abilities for data based decision making; PO3– Develop Value Based Leadership; PO4 –Ability to Understand and communicate various business aspects to global; PO5 – Ability to lead themselves and others in the achievement of organizational goals contributing effectively to a team environment;**  
**PSO1- Comprehend Contemporary features of Business Management Science and its administration**  
**PSO2- Analyze and interpret the dynamic situations for making Business Management strategies**  
**PSO3- Handle responsibility with the ethical values for all actions undertaken by them**  
**PSO4- Adapt and focus on achieving the organizational goal and objectives with complete zeal and commitment.**

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