
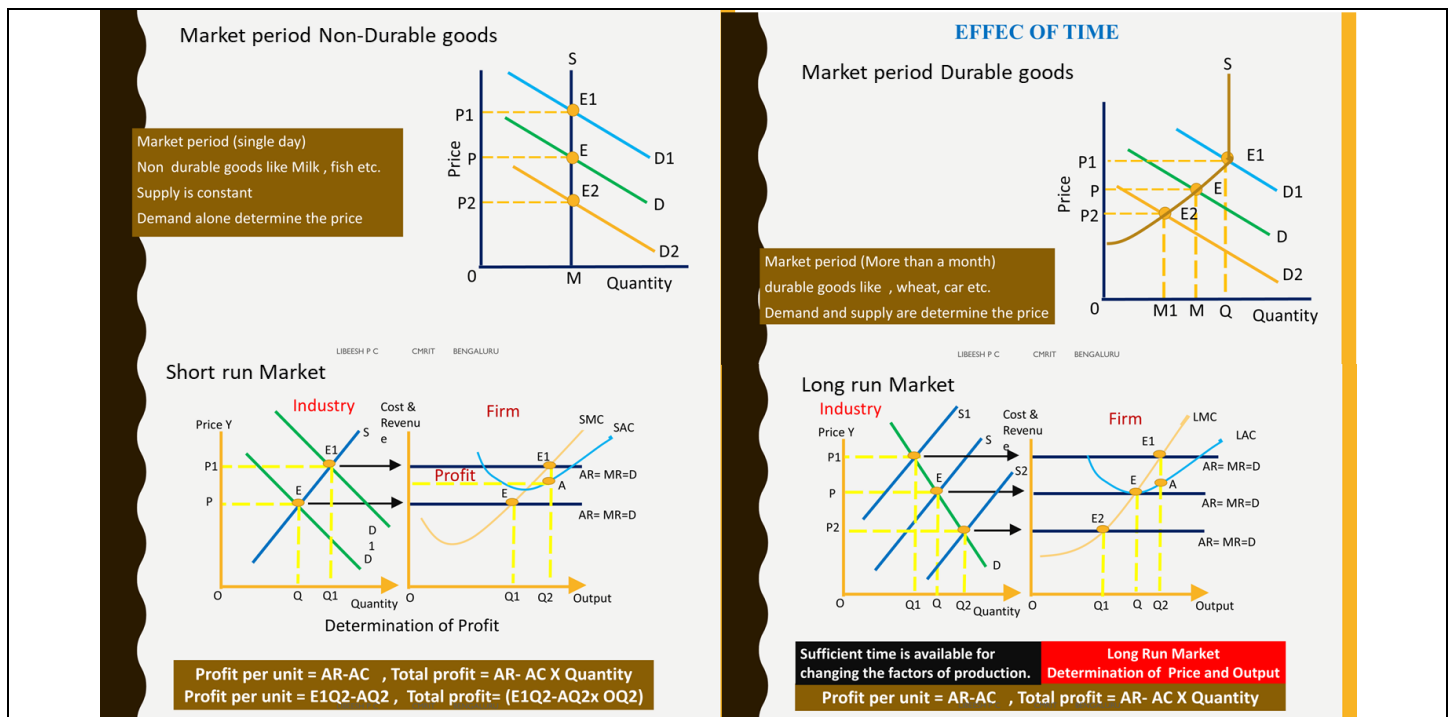


CMR INSTITUTE OF TECHNOLOGY				USN <table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>																		 <small>CELEBRATING 25 YEARS</small> <small>CMR INSTITUTE OF TECHNOLOGY, BENGALURU.</small> <small>ACCREDITED WITH A++ GRADE BY NAAC</small>																		
<b>Internal Assessment Test - II</b>																																								
Sub:	ECONOMICS FOR DECISION-MAKING								Code:	MBA103																														
Date:	22-03-2025	Duration:	90	Max Marks:	50	Sem:	I	Branch:	MBA																															
<b>SET- III</b>																																								
										Marks	OBE																													
											CO	RBT																												
<b>Part A - Answer Any Two Full Questions ( 2* 20 = 40 marks)</b>																																								
1 (a)	What do you mean by the equilibrium of a firm?								[03]	CO5	L1																													
Answer: $MC = MR$ MC cut MR from below																																								
(b)	Differentiate perfect market and Monopoly market.								[07]	CO5	L2																													
<table border="1"> <thead> <tr> <th>Feature</th> <th>Perfect Market</th> <th>Monopoly Market</th> </tr> </thead> <tbody> <tr> <td>Definition</td> <td>A market where numerous buyers and sellers exist, and no single entity can influence prices.</td> <td>A market dominated by a single seller with significant control over price and supply.</td> </tr> <tr> <td>Number of Sellers</td> <td>Many sellers, leading to competition.</td> <td>Only one seller, no competition.</td> </tr> <tr> <td>Product Type</td> <td>Homogeneous (identical) products.</td> <td>Unique product with no close substitutes.</td> </tr> <tr> <td>Price Determination</td> <td>Determined by market forces of demand and supply.</td> <td>Seller has control over pricing (price maker).</td> </tr> <tr> <td>Barriers to Entry</td> <td>No barriers; free entry and exit.</td> <td>High barriers such as legal restrictions, patents, or high startup costs.</td> </tr> <tr> <td>Profitability</td> <td>Only normal profits in the long run due to competition.</td> <td>Can earn supernormal profits in the long run.</td> </tr> <tr> <td>Consumer Choice</td> <td>High, as consumers have multiple options.</td> <td>Limited, as there is only one provider.</td> </tr> <tr> <td>Examples</td> <td>Agricultural markets, stock markets.</td> <td>Utility companies, pharmaceutical firms with patents.</td> </tr> </tbody> </table>														Feature	Perfect Market	Monopoly Market	Definition	A market where numerous buyers and sellers exist, and no single entity can influence prices.	A market dominated by a single seller with significant control over price and supply.	Number of Sellers	Many sellers, leading to competition.	Only one seller, no competition.	Product Type	Homogeneous (identical) products.	Unique product with no close substitutes.	Price Determination	Determined by market forces of demand and supply.	Seller has control over pricing (price maker).	Barriers to Entry	No barriers; free entry and exit.	High barriers such as legal restrictions, patents, or high startup costs.	Profitability	Only normal profits in the long run due to competition.	Can earn supernormal profits in the long run.	Consumer Choice	High, as consumers have multiple options.	Limited, as there is only one provider.	Examples	Agricultural markets, stock markets.	Utility companies, pharmaceutical firms with patents.
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(c)	Illustrate price and output determination under a perfect market.								[10]	CO5	L4																													
Answer:																																								



2 (a)	What do you mean by socio-cultural environment?	[03]	CO6	L1

Answer:  
 The **socio-cultural environment** refers to the set of social and cultural factors that influence individuals, businesses, and societies. It includes values, beliefs, customs, traditions, attitudes, lifestyles, education, language, religion, and social norms that shape human interactions and decision-making.

(b)	Discuss the objectives of Monetary policies.	[07]	CO6	L2
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Answer:

1. Price Stability (Inflation & Deflation Control)
2. Economic Growth & Development
3. Employment Generation
4. Exchange Rate Stability
5. Control of Money Supply
6. Interest Rate Stability
7. Financial Inclusion & Credit Availability
8. Balance of Payments (BoP) Stability
9. Preventing Speculation & Asset Bubbles
10. Stability of the Banking & Financial System

(c)	Analyse the problems and prospects of the private sector.	[10]	CO6	L4
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Answer:

**List of Problems and Prospects of the Private Sector**

**Problems of the Private Sector**

1. Regulatory Challenges
2. Limited Access to Finance
3. Infrastructure Deficiencies
4. Competition from Public Sector & MNCs
5. Corruption & Bureaucracy
6. Labor Issues
7. Technological Lag
8. Market Uncertainty & Economic Instability
9. Environmental & Social Responsibilities

10. High Cost of Raw Materials <b>Prospects of the Private Sector</b> <ol style="list-style-type: none"> <li>Economic Growth Driver</li> <li>Innovation &amp; Technology Adoption</li> <li>Foreign Direct Investment (FDI) Opportunities</li> <li>Entrepreneurship Growth</li> <li>Public-Private Partnerships (PPPs)</li> <li>Digital Transformation &amp; E-Commerce Growth</li> <li>Global Market Access</li> <li>Improved Ease of Doing Business</li> <li>Green &amp; Sustainable Business Opportunities</li> <li>Growing Consumer Demand</li> </ol>				
3 (a)	What do you mean by Liberalization?	[03]	CO6	L1
Answer: Liberalization refers to the process of reducing government restrictions and regulations in economic, trade, and business activities to encourage free-market policies, competition, and private sector growth. It involves the removal of barriers such as tariffs, quotas, and licensing requirements, allowing businesses and individuals more freedom in economic decision-making.				
(b)	Explain the benefits of the Production Linked Incentive (PLI).	[07]	CO6	L2
Answer: Boosts Domestic Manufacturing – Encourages local production, reducing reliance on imports. Attracts Foreign Investment – Incentivizes global companies to set up manufacturing units in India. Enhances Export Competitiveness – Strengthens India’s position as a global manufacturing hub. Generates Employment – Creates direct and indirect job opportunities in multiple sectors. Promotes Innovation & Technology Adoption – Encourages R&D and advanced manufacturing techniques. Reduces Trade Deficit – Increases domestic production, reducing the need for costly imports. Encourages Sectoral Growth – Supports industries like electronics, pharmaceuticals, automobiles, and textiles. Strengthens Supply Chains – Develops local supply chains, reducing dependency on foreign markets. Improves MSME Participation – Small and medium enterprises benefit from increased demand and investment.				
(c)	New industrial policy 1991 has impacted the economy of India. Justify.	[10]	CO6	L4
Answer: <b>1. Liberalization &amp; Economic Growth</b> <ol style="list-style-type: none"> <li>Removal of industrial licensing for most sectors.</li> <li>Increased private sector participation.</li> <li>Automatic approval for foreign investments.</li> </ol> <b>2. Privatization &amp; Reduced Government Control</b> <ol style="list-style-type: none"> <li>Disinvestment in public sector enterprises (PSUs).</li> <li>Expansion of private sector in banking, telecom, and infrastructure.</li> <li>Increased competition leading to better quality products and services.</li> </ol> <b>3. Globalization &amp; Foreign Direct Investment (FDI)</b> <ol style="list-style-type: none"> <li>Opening of Indian markets to foreign companies.</li> <li>Surge in FDI inflows, especially in IT and manufacturing.</li> <li>Integration with global supply chains.</li> </ol> <b>4. Boost to Industrial &amp; Service Sectors</b> <ol style="list-style-type: none"> <li>Growth of IT and software services.</li> <li>Expansion of manufacturing industries.</li> <li>Rise of private banks and financial institutions.</li> </ol> <b>5. Employment Generation &amp; Entrepreneurial Growth</b> <ol style="list-style-type: none"> <li>Creation of new job opportunities.</li> </ol>				

14. Growth of startups and MSMEs.
15. Development of a skilled workforce.
- 6. Inflation & Economic Stability**
16. Market-driven reforms controlling inflation.
17. Better fiscal management and economic resilience.
- 7. Trade Expansion & Foreign Exchange Reserves**
18. Growth of export-oriented industries.
19. Increase in foreign exchange reserves.
20. Strengthened rupee and reduced trade deficits.

**Part B - Compulsory (01\*10=10 marks) – CASE STUDY**

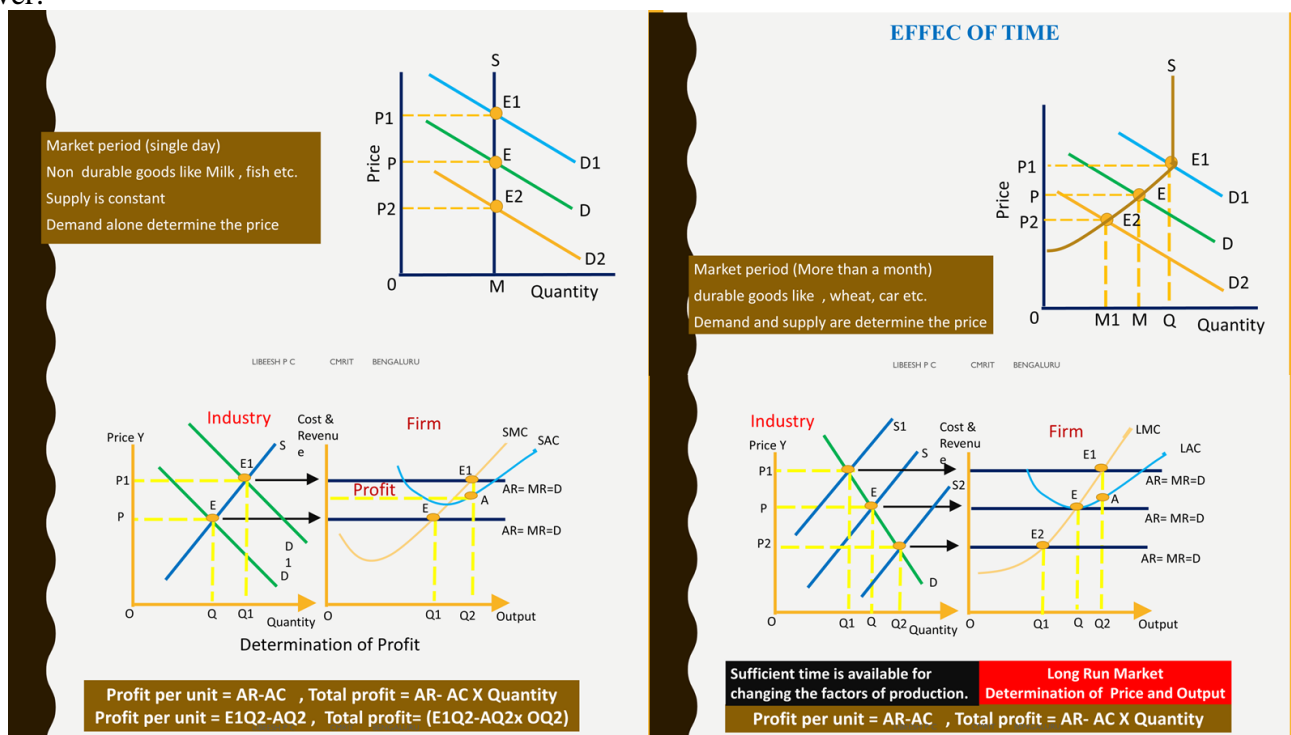
4 Metro Electric Ltd. is the only electricity provider in City X. Due to high infrastructure costs and government licensing, no other firm can enter the market. This makes Metro Electric a **monopoly**, allowing it to control both the price and supply of electricity. Currently, the company charges **₹8 per unit** of electricity and supplies **500 million units per month**. However, due to increasing operational costs, the company decides to raise the price.

[10] CO5 L4

Question

Illustrate how the company can determine the price in the scenario.

Answer:



Course Outcomes (COs)		PO1	PO2	PO3	PO4	PO5	PSO1	PSO2	PSO3	PSO4
CO1:	The student will understand the application of Economic Principles in Management decision making.									
CO2:	The student will earn the microeconomic concepts and apply them for effective functioning of a Firm and Industry.									

<b>CO3:</b>	The Student will be able to understand, assess and forecast the demand.								
<b>CO4:</b>	The student will apply the concepts of production and cost for optimization of production								
<b>CO5:</b>	The student will design competitive strategies like pricing, product differentiation etc. and marketing according to the market structure.	1a, 1c			1b	4		1a, 1b, 1c, 4	
<b>CO6</b>	The student will be able to understand the impact of macroeconomic concepts.	2a, 2b, 2c, 3c			3a, 3b				2a, 2b, 2c, 3a, 3b, 3c

<b>Cognitive level</b>	<b>KEYWORDS</b>
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.**

**CI**

**CCI**

**HOD**