

BALLARI INSTITUTE OF TECHNOLOGY & MANAGEMENT

(Autonomous Institute under Visvesvaraya Technological University, Belagavi)

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Course Code

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First Semester MBA Degree Examinations, June 2023

MANAGERIAL ECONOMICS

Duration: 3 hrs

Max. Marks: 100

- Note:* 1. Answer any FOUR full questions from Question No. 1 to 7.
2. Question No. 8 is compulsory
3. Missing data, if any, may be suitably assumed

<u>Q. No</u>	<u>Question</u>	<u>Marks</u>	<u>(RBTL:CO:PO)</u>
1.	a. Bring out the significance of managerial economics.	03	(2 : 1 : 1)
	b. Examine price and output determination in the short run under monopolistic competition and justify your answer with diagrams.	07	(3 : 4 : 4)
	c. Explain the law of demand with the help of schedule and diagram.	10	(2 : 2 : 2)
2.	a. Examine the properties of indifference curves.	03	(2 : 3 : 3)
	b. Suppose the FC of a factory is Rs 20,000 and the VC is Rs 4 per unit and the selling price is Rs 8 per unit. Calculate the BEP.	07	(2 : 3 : 3)
	c. Explain the features of oligopoly and examine the kinked demand curve	10	(2 : 4 : 4)
3.	a. Classify different types of costs	03	(2 : 3 : 3)
	b. Explain the degrees of price elasticity using neat diagram	07	(2 : 2 : 2)
	c. Discuss the problems of SME's	10	(2 : 5 : 5)
4.	a. Bring out the meaning of ISO-Quants	03	(2 : 3 : 3)
	b. Evaluate the contribution of primary sector to the Economy	07	(3 : 5 : 5)
	c. Analyze the different methods of demand forecasting	10	(3 : 2 : 2)
5.	a. Examine Marris's hypothesis	03	(2 : 1 : 1)
	b. A Company sells 4200 units of pens priced at Rs 12 per piece. If the price of the pen is lowered by Rs 2, the company would be able to sell 6300 units of pens. What is the price elasticity of demand for pens?	07	(3 : 2 : 2)
	c. Explain the role and responsibility of a managerial economist	10	(2 : 1 : 1)
6.	a. Bring out the meaning of price discrimination	03	(2 : 4 : 4)
	b. Explain BEP with the help of Break Even Chart	07	(2 : 3 : 3)
	c. Evaluate New Industrial Policy 1991	10	(3 : 5 : 5)
7.	a. List of the objectives of fiscal policy	03	(2 : 5 : 5)
	b. Bring out the difference between skimming price and penetration price	07	(2 : 4 : 4)
	c. Examine the tools of monetary policy	10	(2 : 5 : 5)

Note: (RBTL - Revised Bloom's Taxonomy Level: CO - Course Outcome: PI - Programme Outcome)

Case study**Scale Economies and Diseconomies at McDonald**

McDonald's experiences economies of scale at the plant, or restaurant, level because of its specialization of labor and machines, but it also benefits from economies of scale at the firm level. Experience gained from decades of selling hamburgers can be shared with new managers through centralized training programs. Costly research and efficient production techniques can also be shared across thousands of locations. For example, McDonald's took three years to decide on the exact temperature of the holding cabinets for its hamburger patties. What's more, the cost of advertising and promoting McDonald's through sponsorship of world events such as the Olympics can be spread across 32,000 restaurants in more than 120 countries.

Some diseconomies may also arise in such large-scale operations. The fact that the menu must be reasonably uniform across thousands of locations means that if customers in some parts of the country or the world do not like a product, it may not get on the menu, even though it might be popular elsewhere. Another problem with a uniform menu is that the ingredients must be available around the world and cannot be subject to droughts or sharp swings in price. For example, McDonald's considered adding a shrimp salad to the menu but decided not to when advised the move could deplete the nation's shrimp supply.

McDonald's has moved aggressively into overseas markets (about 10 percent of the beef sold in Japan goes into McDonald's hamburgers). Planning across so many markets has grown increasingly complex. For example, McDonald's is kosher in Israel, closes five times a day for Muslim prayer in Saudi Arabia, and serves mutton burgers in India, where cows are worshiped, not eaten. Running a worldwide operation also exposes the company to regional risks, such as environmental protests in Brazil, mad-cow disease in Europe, and terrorist bombings of outlets in France, Indonesia, Russia, and Turkey.

Change usually comes slowly in some large corporations, but the profit motive has forced McDonald's to reinvent itself. McDonald's has reorganized its U.S. operation into regions, allowing managers in each region more leeway in pricing and promotion. McDonald's has also become more flexible by putting mini-restaurants in airports, gas stations, and Wal-Marts. The company has been opening new stores and closing unprofitable ones. And McDonald's has reduced the time required to develop new products. For example, whereas Chicken McNuggets were seven years in the making, Chicken Wraps took less than a year to develop. This greater flexibility across countries and regions, the increased willingness to close unprofitable restaurants, and the reduction in product development time all reflect McDonald's effort to cope with diseconomies of scale.

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| a. | Specialization and division of labour has helped McDonald benefit economies of scale. Evaluate with reference to the case. | 10 | (3 :3: 3) |
| b. | Explain how McDonald has minimized its diseconomies of scale. | 10 | (3 :3: 3) |

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