

Model Question Paper

First Semester MBA Degree Examination, 2025-26

Managerial Economics

Time: 3 Hours

Max. Marks: 100

Note: 1. Answer any FOUR full questions from Q1 to Q7.

2. Question No. 8 is compulsory.

3. M: Marks, L: RBT (Revised Bloom's Taxonomy) level, C: Course outcomes.

			M	L	C
Q1	a.	Deluxe Brew, a premium coffee brand, is applying the price elasticity of demand for its flagship product, "Royal Reserve Blend." The company's management wants to understand how price changes affect the quantity demanded and make informed decisions regarding pricing strategies. You are required to help Deluxe Brew by applying price elasticity of Demand	03	L3	CO2
	b.	Metro Bank, a retail bank, offers a range of banking services, including checking accounts, savings accounts, and personal loans. The bank's management team is exploring Baumol's model to optimize resource allocation and improve operational efficiency in delivering these services. Apply Baumol's Model of the firm to help decision-making at Metro Bank.	07	L3	CO2
	c.	The case of Country X illustrates the dynamic relationship between GDP growth and the expansion of the economy. A robust GDP growth rate reflects a vibrant and expanding economy driven by factors such as investment, infrastructure development, manufacturing expansion, consumer spending, and export growth. By understanding these dynamics, list down and analyze the effective strategies to sustain economic growth, create employment opportunities, and improve the overall well-being of the population.	10	L4	CO4
Q2	a.	Outline the role and responsibilities of a managerial economist	03	L2	CO1
	b.	Café Delight is a cozy café located in a busy neighborhood. The owner, Maria, is considering expanding her business by adding a delivery service for freshly baked pastries. Data: Fixed Cost Rs.3000 per month, Variable cost is Rs.1.5/unit & Selling price is Rs.3.5/ unit. Apply Break Even analysis to help Maria decide on this business problem.	07	L3	CO3
	c.	In Country Y, the petroleum industry is dominated by several major oil companies. Over time, these companies have formed a cartel, colluding to fix prices, control production levels, and allocate market shares among themselves. As a result, consumers face artificially inflated prices for petroleum products, while competitors struggle to enter the market due to the cartel's anti-competitive practices. Analyze this situation with possible government interventions.	10	L4	CO4

Q3	a.	Explain the concept of cross elasticity of demand.	03	L2	CO1
	b.	Analyse and compare the following statement “The choice between a fixed exchange rate and a floating exchange rate system depends on a country's specific economic circumstances, policy objectives, and external environment.”	07	L4	CO4
	c.	Global Gears, a company specializing in manufacturing automotive parts, is considering expanding its production capacity to meet growing demand. The management team, led by Mark, wants to use the Margin of Safety to assess the company's financial stability and make informed decisions about the expansion. You are required to help Mark by applying the concept of Margin of Safety for this business problem. Data: Total Sales Rs.10 lakhs; Variable cost Rs. 6 Lakhs ; Fixed Cost 3 lakhs.	10	L3	CO3
Q4	a.	Explain the law of variable proportions	03	L2	CO1
	b.	XYZ is an emerging market economy experiencing significant economic and political challenges. Over the past few years, the country has faced a series of corruption scandals, political instability, and unsustainable fiscal policies, leading to a loss of investor confidence and mounting concerns about the stability of the domestic currency. Analyze this situation with the help of the concept of “Flight of Capital”	07	L4	CO4
	c.	Make use of the following data for the year 2023 of XYZ company. Variable cost Rs. 6,00,000 (60%) Fixed cost Rs. 3,00,000 (30%) Net profit Rs. 1,00,000 (10%) Total Rs. 10,00,000 (100%) Find out, a. P/V ratio b. B.E.P c. The margin of safety	10	L3	CO3
Q5	a.	Summarize the concept of perfect competition and explain its characteristics.	03	L2	CO1
	b.	Electro Tech, an electronics manufacturing company, is contemplating introducing a new product line of smart home devices. The management team, led by Sarah, wants to use the Profit-Volume (P/V) ratio to study the profitability of the new product and make an informed decision about its launch. Make use of the data given below to help Sarah make an informed decision. Data: Selling price per Unit Rs.100; Variable cost per Unit Rs.60; Fixed Cost Rs.50,000	07	L3	CO3
	c.	Country Z is experiencing a persistent rise in inflation, with prices of goods and services steadily increasing over an extended period. High inflationary pressures pose significant challenges to the economy, impacting consumer purchasing power, eroding savings, and destabilizing financial markets. Analyse the role played by the government in the above situation in managing inflation while ensuring sustainable economic growth and stability.	10	L4	CO4
Q6	a.	Summarize the various components that comprise GDP and evaluate their significance in measuring the overall economic performance of a country.	03	L2	CO1
	b.	Sunrise Bakery, a small-scale bakery specializing in artisanal bread and pastries, is	07	L3	CO3

		<p>contemplating expanding its operations by introducing a new line of gluten-free products. The owner, Tom, wants to use a combination of variable and fixed cost analysis to assess the financial feasibility of this expansion.</p> <p>Data: Fixed Cost Per month Rs.5000; variable cost per unit Rs.2; selling price per unit Rs. 5</p> <p>Apply the variable and fixed cost-related analysis to help Tom in decision-making.</p>			
	c.	<p>In a hypothetical country, the market for widgets is dominated by several large firms. These firms operate in an oligopolistic market structure, characterized by a small number of dominant players with significant market power. The government is concerned about the potential negative consequences of this market structure on competition, consumer welfare, and innovation. Analyze the strategies that can be employed by the government to counter this situation.</p>	10	L4	CO4
Q7	a.	Illustrate the phenomenon of capital flight.	03	L2	CO1
	b.	<p>In a fictional country, the telecommunications sector is dominated by a single company, XYZ Telecom, which holds a monopoly position in the market. Despite its monopoly position, XYZ Telecom faces growing scrutiny from regulatory authorities and public outcry over its pricing practices, service quality, and lack of competition. The government is under pressure to intervene and address the issues surrounding the telecommunications monopoly to ensure fair treatment of consumers and promote a more competitive market environment. Analyze the strategies that can be employed by the government to smoothen the disparity and to gain the confidence of the consumers.</p>	07	L4	CO4
	c.	<p>Fresh Farms Dairy, a dairy farm and milk processing facility is reviewing its production process to optimize efficiency and output. The farm manager, Alex, wants to understand the concept of production and its factors to make informed decisions about resource allocation and process improvements. You are required to apply the production function to help Alex understand the potential of his business along with the various factors of production.</p>	10	L3	CO2
Q8		<p style="text-align: center;"><u>CASE STUDY (Compulsory)</u></p> <p>Maruti Udyog Ltd (MUL) enjoys a monopoly in spare parts. Along with dealers, MUL is exploiting Maruti vehicle users. Often the vehicle user has to change the clutch plate twice in six months and has to pay Rs.3,567/-. MUL charges the price of the clutch at imported cost while the clutch plate is made by Clutch Auto Private Ltd at Faridabad. The replacement of a silencer costs Rs.800/-. The cost of spare parts and repairs by any reckoning is three to four times compared to Ambassador or Fiat. A random sample indicates that every eighth car has a faulty clutch. In the context of defective parts and exorbitant cost of repairs, saving in fuel in Maruti as compared to other automakers is of little consequence. Maruti vehicle users are in dilemma they cannot get spare parts or get their cars repaired except through Maruti Udyog or its authorized dealers. But both charge huge amounts, not giving a guarantee for a single day. MUL is thus, indifferent to the genuine grievances of its customers</p>			
	a.	Apply the concept of Monopoly to MUL. Does it substantiate the claim?	07	L3	CO2

	b.	Make use of the above information to visualize the ways in which customers suffer from the monopoly practices of MUL	06	L3	CO3
	c.	Infer solutions for this above situation.	07	L4	CO4
