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MANGALORE INSTITUTE OF TECHNOLOGY & ENGINEERING

(A Unit of Rajalaxmi Education Trust®, Mangalore)
Autonomous Institute affiliated to VTU, Belagavi, Approved by AICTE, New Delhi
Accredited by NAAC with A+ Grade & ISO 9001:2015 Certified Institution

Model Question Paper

First Semester MBA Degree Examination, 2026-27

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.	Summarize the various components that comprise GDP and evaluate their significance in measuring the overall economic performance of a country.	03	L2	CO1
	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.	A country is experiencing a slowdown in economic growth, rising unemployment, and declining consumer demand. Suggest and apply suitable fiscal policy measures that the government can adopt to improve economic conditions.	10	L3	CO5
Q2	a.	Outline the role and responsibilities of a managerial economist.	03	L2	CO1
	b.	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. Identify the various possible government interventions in this situation.	07	L3	CO3
	c.	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.	10	L3	CO4
Q3	a.	Explain the concept of cross elasticity of demand.	03	L2	CO1
	b.	Demonstrate how a country's economic conditions, policy objectives, and external environment influence its choice between fixed and floating exchange rate systems.	07	L3	CO2

	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.	Liva 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. Use the concept of Flight of capital and substantiate your response.	07	L3	CO4
	c.	Make use of the following data for the year 2026 of X 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, • P/V ratio • B.E.P • 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. Identify the role played by the government in the above situation in managing inflation while ensuring sustainable economic growth and stability.	10	L3	CO4
Q6	a.	Explain how the Phillips Curve helps policymakers understand the trade-off between inflation and unemployment.	03	L2	CO1
	b.	Sunrise Bakery, a small-scale bakery specializing in artisanal bread and pastries, is 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. Data: Fixed Cost Per month Rs.5000; variable cost per unit Rs.2; selling price per unit Rs. 5 Apply the variable and fixed cost-related analysis to help Tom in decision-making.	07	L3	CO3

	c.	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. Identify the strategies that can be employed by the government to counter this situation.	10	L3	CO4
Q7	a.	Illustrate the concept of Digital Pricing.	03	L2	CO1
	b.	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. Identify the strategies that can be employed by the government to smoothen the disparity and to gain the confidence of the consumers.	07	L3	CO3
	c.	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.	10	L3	CO4
Q8		**CASE STUDY (Compulsory)** An automobile manufacturing company has experienced a significant decline in sales due to reduced consumer spending, rising unemployment, and declining business investment in the economy. As economic conditions gradually improve, consumer demand begins to increase, encouraging the company to expand its production capacity and recruit additional employees. However, the management is concerned about the possibility of future economic fluctuations.			
	a.	Apply your understanding of business cycles to suggest suitable strategies that the company can adopt during the different phases of the business cycle.	10	L3	CO5
	b.	Demonstrate how an automobile company can adjust its investment, inventory, and manpower decisions during different phases of the business cycle.	10	L3	CO5

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