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**MB-108**

**M. B. A. (FIRST SEMESTER)**

**MID SEMESTER**

**EXAMINATION, Jan., 2023**

**MANAGERIAL ECONOMICS**

**Time : 1½ Hours**

**Maximum Marks : 50**

- Note :** (i) This question paper contains two Sections—Section A and Section B.
- (ii) Both Sections are compulsory.
- (iii) Answer any *two* sub-questions among (a), (b) and (c) in each main question of Section. Each question carries 10 marks.
- (iv) Section B consisting of case study is compulsory. Section B is of 20 marks.

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**Section-A**

2×5=10

1. Attempt any *two* questions of choice from (a), (b) and (c) : (2×5=10)
  - (a) Discuss the terms Law of Demand and Law of Supply with suitable examples. (CO1)
  - (b) What do you mean by Micro and Macro Economics ? Also describe the relevance of micro and macro economics in business. (CO1)
  - (c) Why does law of demand operate ? Briefly explain why does demand curve slope downward to the right. (CO3)
2. Attempt any *two* questions of choice from (a), (b) and (c) : (2×5=10)
  - (a) What do you mean by Utility ? Explain the law of diminishing marginal utility. (CO3)
  - (b) What is increasing returns to scale, decreasing returns to scale and constant returns to scale ? Explore these terms with suitable examples. (CO2)

(3)

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- (c) Determine the three stages of production. Why is it that the second stage of production is considered the most relevant stage for factor use in production ? (CO2)
3. Attempt any *two* questions of choice from (a), (b) and (c) : (2×5=10)
  - (a) "If resources were unlimited and were freely available, there would be no subject called economics." Justify the statement. (CO4)
  - (b) Evaluate Production Possibility Curve with suitable example with its relevance in a firm. (CO4)
  - (c) What is Demand Forecasting ? Briefly explain different methods of demand forecasting. (CO3)

**Section-B**

4. **Case let (Compulsory) :** 2×10=20  
Maggi Noodles : Trouble in Oodles : The branded packaged food market in India accounts for around 20 percent of the annual ₹ 3.2 trillion packaged consumer products

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market, which is projected to grow at around 12-15 percent annually till 2019, according to a September 2015 report by FICCI and KPMG. Nestlé, world's largest food and Beverages Company, has sold Maggi in India for more than 30 years. In 2014, Indians had consumed more than 400,000 tonnes of Maggi instant noodles available in 10 varieties from Thrillin' Curry to Cuppa Mania Masala Yo!, and Maggi accounted for roughly a quarter of the company's \$1.6 billion in revenue in the country. These products of Nestle India are urban-centric and have always been relevant to a particular lifestyle and income group. The same year Maggi was named one of India's five most trusted brands. 5 June 2015 was a red letter day for Nestlé India, as Maggi faced a nationwide ban by Food Safety and Standards Authority of India (FSSAI) for a period of six months on the basis of allegations by Food Safety and Drug Administration of Uttar

Pradesh that it contained monosodium glutamate (MSG), a flavour enhancer, and lead in excess of prescribed limits. MSG is a controversial ingredient that is legal in India, though it requires disclosure and a warning that the product is not recommended for children under 12 months age. In fact, MSG has even been blamed for everything from bad dreams to cancer. Once the allegation was spread wide by media, enraged consumers wasted no time venting their anger. In some cities, protesters in the street smashed and set fire to packs of noodles and photos of Bollywood stars who were endorsing Maggi. As a consequence, Nestlé had to recall around 38,000 tonnes of Maggi noodles between 5 June and 1 September 2015, from across the country. The recalled packets had to be destroyed, and the company had to jump to action to tackle regulating authorities and other government authorities to establish the safety of Maggi.

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Maggi was re-launched on 9 November 2015, Monday, five months after the government ban. Nestlé had to get official clearance from the Bombay High Court in October. Though its re-launch has been somewhat successful, recovery is unlikely to be smooth. The instant noodles category has been impacted adversely after the ban, with several consumers having switched over to Yippee noodles (by ITC) and Wai Wai noodles from Nepal's CG Foods. Incidentally, the growing popularity of Patanjali Ayurveda products has also led several of erstwhile Maggi loyalists to start consuming its atta noodles. According to a report by Nomura Financial Advisory and Securities (India) Pvt. Ltd., published in May 2015, Maggi commanded 80.2 percent of the instant noodles market in the quarter of March 2015; probably the loss of faith consumers had in Maggi led to a downfall in the net profit of

Nestlé by 52 percent to ₹ 563.27 crore for the 12 months ended 31 December 2015.

*Questions :*

- (a) What aspects of consumer behaviour are reflected in the case of Maggi noodles ? How can companies operating in FMCG sector, especially in packaged food, use this information ? (CO5)
- (b) Discuss the role of media in influencing consumer preference with respect to Maggi. (CO5)