



I Semester M.B.A. (Day & Eve) Degree Examination, July 2022
(CBCS) (2021-22 and Onwards) (Freshers)

MANAGEMENT

Paper – 1.1 : Economics for Managers

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any five** of the following. **Each** question carries **five** marks. (5×5=25)

1. What are the main differences between positive and negative externalities ?
2. Explain the concept of production possibility curve (PPC) and its importance.
3. "Giffen goods are against to the law of demand" Justify with suitable example.
4. What is peak load pricing ? Discuss with an example.
5. Elucidate the relationship between average revenue and marginal revenue in Monopoly.
6. Suppose a firm has its total revenue and total cost function estimated as follows
 $TR = 300Q - 3Q^2$ and $TC = 500 + 50Q + 2Q^2$ find
 - a) Profit function of the firm.
 - b) Quantity of the output (Q) that maximizes the firms profit.
7. Write a note on :
 - a) Fiscal Policy.
 - b) Monetary Policy.

SECTION – B

Answer **any three** questions. **Each** question carries **10** marks. (3×10=30)

8. Explain kinked demand curve model and show that price once determined under oligopoly does not change if Marginal Cost (MC) changes within a range.



9. The annual sales of Mishra Pvt. Ltd. Company are as follows.

Year	2017	2018	2019	2020	2021	2022
Sales (Rs. Crores)	45	56	87	64	80	100

Using the method of least square fit a straight line trend and forecast the sales for next 3 years.

10. Explain the concept of aggregate supply and aggregate demand. Using aggregate supply and aggregate demand illustrate how equilibrium of national income is obtained.
11. Explain consumer's equilibrium with the help of indifference curve.

SECTION – C

Compulsory Question :

(1×15=15)

12. Case Study :

Price discrimination involves charging different prices to different sets of consumers for the same good. Airlines are experts at price discrimination and the fare you pay could end up being significantly different to the person sitting next to you, receiving exactly the same service.

One of the key factors of course is time of buying ticket, so when the booking is made is very important with evidence showing that the highest prices paid are when it is booked last.

Minute and cheaper, when it is booked a long way in advance, the cheapest time (but, not always) tending to be about six weeks before the flight. The lower price attracts more people who are sensitive to prices and ensures that the flight will fill up. The differences in price for the same service is often high and relate it to elasticity and a good discussion flows regarding whether it is fair or not.

Airlines takes advantage of difference in demand elasticity as business flyers or emergency travels have less elastic demand and vacation travelers has more elastic demand and they plant their trips in advance.



In some cases price discrimination reflects amenities associated with higher price such as business class passengers have better seats and meals. They also have extra leg room. Airline also charges high tickets for friendly hours such as if you take a weekend break. Most people would prefer to come back late on Sunday. These late Sunday flights tend to be more expensive than early morning Sunday flights.

Sometimes Airlines also makes travelling at peak times much more expensive. One good example is travelling during the week; the reason is that the customers travelling Monday to Friday are businessmen. Their demand tends to be more inelastic (because it is paid by company expenses). If you are more flexible and willing to travel at the weekend, you are more sensitive to price and have a more elastic demand. Air fares also vary depending on the time of the year. During peak summer holidays, airfares are more expensive. Parents have more inelastic demand because they can't go on holiday during term time.

Price discrimination is also evident in frequent flyer scheme where passenger is charged less due to huge quantity of tickets purchased by the consumers. It is a way of rewarding loyal consumers. The more times you travel with a particular airline, the more air miles you get, and thus get a discount for frequent flying.

Questions :

- 1) What are the perquisites to price discrimination ? Why do you think Airlines are successful in price discrimination ?
- 2) Do you think different ways of price discrimination mentioned in this case belong to different degrees of price discrimination ? Give justification.
- 3) Which type of price discrimination seems most unrealistic to you ? Why ?
- 4) Which degree of price discrimination is justifiable for frequent flyer scheme ? Give reason.