AR19

ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI
(AUTONOMOUS)
I MBA I Semester Regular Examinations, December, 2019
MANAGERIAL ECONOMICS

Time: 3 Hrs   Max. Marks: 60

Answer any Five questions
All questions carry EQUAL marks
Question No. 8 is Compulsory

1.	a)	Discuss the Nature of Managerial Economics in detail.	[8M]
	b)	Distinguish between opportunity cost and Incremental Cost.	[4M]
2.	a)	State the Law of Demand and write about Demand schedule and Curve.	[6M]
	b)	Interpret different types of Demand with suitable examples.	[6M]
3.	a)	Explain various types of Price Elasticity of demand with neat sketch.	[8M]
	b)	Elaborate the role of Survey methods in Demand Forecasting.	[4M]
4.	a)	Define Cost and Explain any five Cost concepts useful for Management.	[8M]
	b)	What is CVP analysis? How it will be useful in Business decisions.	[4M]
5.	a)	Summarize the Production Function with one variable and suitable example.	[10M]
	b)	Write a short note on Marginal Rate of Technical Substitution.	[2M]
6.	a)	Outline the Price Output determination in Perfect Competition.	[8M]
	b)	Elaborate Bain's Limit Pricing Theory.	[4M]
7.	a)	Discuss various Theories of Profit.	[8M]
	b)	Distinguish between Economic Profit and Accounting Profit.	[4M]
8.		**CASE STUDY:**	[12M]

In April 2001, Matt Heyman, co-founder of Cinemex, the largest chain of movie theaters in Mexico City, looked out the window of his office and pondered the future of his company. In just seven years, Heyman and his partners had nurtured Cinemex from a student idea into the largest theater chain in Mexico City, but they faced new challenges every day. Many of these challenges came from competitors. For years competitors ran old, poorly-maintained theaters, but in recent months they had begun to imitate Cinemex's top-of-the-line exhibition venues. Their latest tactic: offering two tickets for the price of one on Wednesdays. Heyman wondered whether Cinemex should offer a similar deal, or instead rely on the Cinemex brand and hold the line on price. Heyman faced a difficult decision. Should he offer his own two-for-one deal on Wednesdays? This might raise attendance, but since many tickets would be given away for free, it might also reduce ticket revenues. Or should he do nothing, hoping that the appeal of Cinemex's customer service package would eventually bring customers back?

How large was the impact of competitors' 2-for-1 pricing on Cinemex's ticket sales?

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1.   Write the nature and scope of Managerial Economics and its relevance in other fields of study.

2.   Discuss the different methods of Demand Forecasting for the existing products with suitable examples.

3.   Explain the Law of Variable proportions with a neat diagram.

4.   Derive the Long Run Average Cost curve and explain why it is called an Envelope Curve.

5.   Give the meaning of Price Elasticity of Demand and explain how is it measured.

6.   Write the features of oligopoly markets. Explain the concept of Kinked Demand curve.

7.   Explain how Equilibrium Price and Equilibrium Output is determined in a perfectly competitive markets.

8.   **CASE STUDY:**
  (a)   Explain the concept of Break-Even point of a Firm.
  (b)   Bosch has an outlet in Visakhapatnam City and selling Electric Shavers. During 2016, it sold 500 pieces at the rate of Rs 200/- each. The wholesale price of the machine is Rs 200/- each. The wholesale price of the machine is Rs 100/- each. The logo printing cost is Rs 1/- each. The shop rent per month is Rs 2000/- and monthly Interest to be paid is Rs 500/-. With the above information, find out at what level of Output, Bosch will get Break-Even point.