Graphic Era
HILL UNIVERSITY
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End Term {(Odd) (Trimester-I)} Examination November 2025

Roll no.....

Name of the Course and semester: MBA I
Name of the Paper: *Managerial Economics*
Paper Code: MBA 103
Time: 3 hour Maximum Marks: 100

Note:

(i) This question paper contains two Sections-Section A and B
(ii) Both Sections are compulsory
(iii) Answer any two sub questions from a, b & c in each main question of Section A. Each sub question carries 10 marks.
(iv) Section B, consisting of a case study, is compulsory. It is of 40 Marks.

Section A

Q1. (2X10=20 Marks)

a. "Every economy faces the problem of scarcity and choice." Explain this statement using the concept of Production Possibility Frontier (PPF) and Circular Flow Model. CO1 CO2

b. Explain the fundamental principles of economics. How do they form the foundation of economic analysis? CO1 CO2 CO3

c. Explain the Law of Diminishing Marginal Utility and its managerial implications. CO3

Q2. (2X10=20 Marks)

a. Define elasticity of demand. Explain price elasticity and income elasticity with examples.CO2

b. Discuss the determinants of supply and explain the law of supply with a suitable diagram. CO1 CO2

c. Explain Law of Variable Proportion. A firm produces 500 units with 10 workers. When it employs 15 workers, output increases to 650 units. Discuss the stage of the production function the firm is operating in and explain with a diagram.CO3 CO4 CO5

Q3. (2X10=20 Marks)

a. Differentiate between Perfect Competition and Monopoly with real-world examples.CO1 CO2

b. Discuss the types and causes of inflation with examples from recent years in India.CO5

c. What are the different phases of a Business Cycle? How do policymakers attempt to reduce its negative impact?CO4

Section B

Q4. Case Study (40 Marks)

The Rise and Challenges of E-Vehicle Industry in India

Over the past few years, the Electric Vehicle (EV) industry in India has witnessed rapid growth driven by government incentives, technological innovation, and rising environmental awareness. Companies like Tata Motors, Mahindra Electric, and Ola Electric have entered the EV market with competitive strategies. However, despite potential growth, the industry faces fluctuating demand, high production costs, market uncertainties, and inflationary pressures.

Background Scenario

Tata Motors recently launched its new electric SUV, Tata Nexon EV+, priced at ₹ 16 lakhs. The company expects sales of 15,000 units in the first year. However, due to rising lithium battery costs and inflation in energy prices, the cost of

production per vehicle has increased by 20%. At the same time, new competitors like MG Motors and Hyundai are offering similar models at competitive prices.
To maintain market share, Tata Motors is considering a revised pricing and production strategy. The managerial team is analyzing how changes in price, cost structure, and market competition will affect profitability and sustainability.

Data Snapshot (Assumed for Analysis)

Item	Base Year (2024)	Current Year (2025)
Selling Price per unit	₹ 16,00,000	₹ 15,20,000 (after 5% price reduction)
Cost per unit	₹ 12,00,000	₹ 14,40,000
Expected Sales Volume	15,000 units	17,000 units
Advertising Budget	₹ 30 crores	₹ 42 crores
Inflation Rate	5%	7%
Market Demand Elasticity	-1.5	—

Company's Dilemma
The management faces several key questions:

- Whether to continue price reduction despite cost escalation.
- How to maintain profitability amid inflation and competition.
- What production level will optimize costs and achieve economies of scale.
- How government incentives and business cycles may affect demand over time.

a) Using the data provided, calculate the price elasticity of demand and interpret the result. Discuss how the law of demand and consumer utility concepts apply to Tata Motors' pricing decision.

b) Identify the short-run and long-run decisions involved in Tata Motors' strategy. Using the concept of returns to scale and economies of scale, analyze how production expansion might reduce per-unit cost in the future.

c) Identify the market structure of the Indian EV industry and justify your answer with characteristics. Suggest appropriate pricing strategies Tata Motors can adopt to remain competitive without compromising profitability.

d) Explain how inflation in raw materials and energy prices affects Tata Motors' cost and pricing decisions. Discuss suitable managerial and government policy measures to control cost-push inflation in the automobile sector.