MS-9

MANAGEMENT PROGRAMME

Term-End Examination

June, 2007

MS-9 : MANAGERIAL ECONOMICS

Time : 3 hours *Maximum Marks : 100*

(Weightage 70%)

Note : *Attempt any **three** questions from Section A. All questions carry 20 marks each. Section B is **compulsory** and carries 40 marks.*

SECTION A

1. Differentiate between 5 types of market using the following characteristics :

(a) Number of independent sellers

(b) Seller concentration

(c) Product differentiation

(d) Conditions of entry

2. Describe the various types of price discrimination. Is price discrimination a characteristic of monopoly or perfect competition ? Explain.

3. (a) Explain and illustrate the various returns to scale.

   (b) What is Operating Leverage ? Give examples.

4. Discuss various Demand Forecasting Techniques. Illustrate your answer with examples.

5. Write notes on any ***four*** of the following :

   (a) Value maximisation

   (b) Technical efficiency

   (c) Peak load pricing

   (d) Equilibrium price

   (e) Price bundling

SECTION B

6. Mr. Balakrishnan, the research manager for marketing at the Maruti Udyog Limited has specified the following demand function for Maruti 800 in India :

$$Q_m = f(P_m, N, I, P_H, P_G, A, P_I)$$

where Q_m is the quantity demanded of Maruti 800 per year, P_m is the price of Maruti, N is population, I is the disposable income, P_H is price of Hyundai, P_G is price of gasoline, A is the amount of advertisement on Maruti 800 and P_I is credit incentive to purchase Maruti 800. Indicate whether you expect each independent or explanatory variable to be directly or inversely related to the quantity demanded of Maruti 800 and the reason for your expectation.

7. (a) State True or False :

(i) Over time, demand becomes less elastic, while supply becomes more elastic.

(ii) The elasticities of demand tend to be higher for luxuries than for necessities.

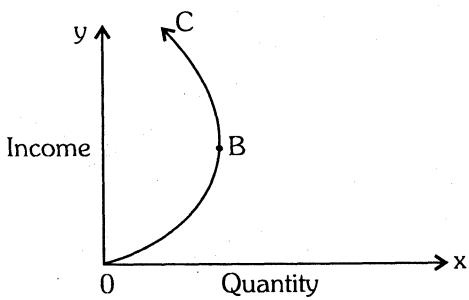
(b) Choose the correct answer. Match List I and II and select the correct answer using the codes.

I		II
A.	Horizontal LAC schedule	1. Economies of scale
B.	Decreasing LAC schedule	2. Constant returns to scale
C.	Increasing LAC schedule	3. Diseconomies of scale

Codes :

	A	B	C
(i)	3	1	2
(ii)	3	2	1
(iii)	2	1	3
(iv)	1	2	3

(c)



The BC part of the curve in the above figure is the demand curve of

(i) Superior goods

(ii) Inferior goods

(iii) Normal goods

(iv) Giffen goods

(d) Fill in the blanks :

(i) If $e > 1$, the total revenue curve has a _____ slope.

(ii) The value of total revenue reaches _____ when elasticity is equal to 1.

(iii) If the demand is _____, an increase in price will result in a decrease of the total revenue.

(iv) Any straight line supply curve passing through the _____ has elasticity equal to one.