



**SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY :: PUTTUR  
(AUTONOMOUS)**

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**QUESTION BANK (DESCRIPTIVE)**

**Subject with Code: MANAGERIAL ECONOMICS (25MB9003)**

**Course & Branch: MBA**

**Year & Semester: I Year I - Sem**

**Regulation: R25**

**UNIT – 1  
INTRODUCTION TO MANAGERIAL ECONOMICS**

1		Explain the fundamental concepts of Managerial Economics and its nature. How does it differ from traditional economics?	[L2][CO1]	[10M]
2		Define Managerial Economics? Explain about its Scope.	[L3][CO1]	[10M]
3	a)	Evaluate the role of a managerial economist within a modern business organization.	[L4][CO2]	[5M]
	b)	Discuss the key responsibilities and challenges they face in decision-making.	[L4][CO2]	[5M]
4	a)	Critically evaluate the profit maximization objective of a firm. Is it a realistic goal in today's business environment?	[L5][CO3]	[5M]
	b)	Name and briefly explain two alternative objectives of a firm.	[L5][CO3]	[5M]
5		Explain the relationship of Managerial Economics with Production Management, Marketing, Finance, and Personnel functions. Illustrate with suitable examples.	[L2][CO2]	[10M]
6	a)	What is the theory of a firm? What are the assumptions made by economists under the theory of firm?	[L2][CO1]	[5M]
	b)	Compare and contrast Managerial Theories of the Firm and Behavioral Theories of the Firm.	[L4][CO3]	[5M]
7	a)	Explain about optimization techniques.	[L2][CO1]	[4M]
	b)	Managerial economics is positive or normative explain.	[L2][CO1]	[6M]
8	a)	Write a short note of following theories. Baumol's theory	[L1][CO1]	[5M]
	b)	Marris Growth maximization	[L1][CO1]	[5M]
9		What is Game theory? How it is useful in context of managerial decision-making process.	[L3][CO1]	[10M]
10	a)	Discuss Game Theory and explain its Significance.	[L2][CO1]	[5M]
	b)	What are the new management tools available for optimization?	[L2][CO1]	[5M]

## UNIT -II

### THEORY OF DEMAND

1		Explain the concept of Demand Analysis. How does it help a business firm in making strategic decisions regarding production and pricing?	[L2][CO1]	[10M]
2	a)	What is the Law of demand?	[L2][CO2]	[5M]
	b)	What do you mean by demand? What are the determinants of demand?	[L2][CO2]	[5M]
3	a)	Explain the assumptions of law of demand.	[L2][CO2]	[5M]
	b)	Discuss various types of demand in economics.	[L2][CO2]	[5M]
4	a)	What do you understand by the term demand forecasting?	[L5][CO2]	[5M]
	b)	How demand of a particular commodity can be forecasted?	[L5][CO2]	[5M]
5	a)	What are Inferior Goods?	[L1][CO2]	[3M]
	b)	Write two cases where demand curve slopes upward.	[L4][CO2]	[7M]
6		Discuss the different marketing research approaches used for demand estimation. How do they assist managers in making strategic decisions?	[L4][CO3]	[10M]
7	a)	Define elasticity of demand and discuss the concept of demand estimation.	[L3][CO2]	[5M]
	b)	What is elasticity of demand? Explain different methods of measuring price elasticity of demand.	[L2][CO2]	[5M]
8		Identify the factors which are influencing the elasticity of demand and discuss in detail.	[L4][CO2]	[10M]
9		Critically evaluate the qualitative and quantitative methods of demand forecasting, citing their advantages and limitations.	[L5][CO3]	[10M]
10	a)	Define demand forecasting. Why is it important for managerial decision-making?	[L1][CO3]	[5M]
	b)	Briefly explain any two demand forecasting techniques with examples.	[L2][CO3]	[5M]

### UNIT-III PRODUCTION ANALYSIS

1	a)	What do you mean by production? discuss various factors of production.	[L1][CO3]	[5M]
	b)	What is production function? how does it help in understanding a producer's equilibrium?	[L3][CO3]	[5M]
2	a)	What is production function? Discuss the law of production in short-run.	[L2][CO3]	[5M]
	b)	Distinguish between fixed and variable factors of production.	[L2][CO3]	[5M]
3	a)	What is production function? how does a long run production function differ from a short run production function?	[L4][CO3]	[5M]
	b)	Marginal Rate of Technical Substitution' what do you think about this statement?	[L5][CO3]	[5M]
4	a)	What is a Cobb-Douglas Production Function?	[L2][CO3]	[5M]
	b)	Explain the law of production with one-variable input.	[L2][CO3]	[5M]
5	a)	What do you mean by returns to scale and returns to factors?	[L1][CO3]	[5M]
	b)	What are economies of scale?	[L2][CO3]	[5M]
6	a)	The marginal rate of technical substitution (MRTS) is the measure with which one input factor is reduced while the next factor is increased without changing the output-examine the statement.	[L5][CO3]	[5M]
	b)	Discuss general properties of Isoquants.	[L2][CO3]	[5M]
7		Define and explain the different cost concepts in managerial economics. Illustrate with suitable examples.	[L1][CO3]	[10M]
8	a)	Compare the cost – output relationship in the short and long-run.	[L3][CO3]	[5M]
	b)	What are returns to scale and what are its three types?	[L2][CO3]	[5M]
9		Critically evaluate the importance of cost concepts in pricing decisions and profit planning.	[L5][CO3]	[10M]
10	a)	list out the assumptions of break-even analysis.	[L1][CO1]	[5M]
	b)	Examine the usefulness of break-even analysis using diagram.	[L5][CO3]	[5M]

**UNIT – IV**  
**MARKET STRUCTURE AND PRICING PRACTICES**

1		Define market and explain market structure that influence the behavior and performance of firms that sell in the market- justify.	[L5][CO4]	[10M]
2	a)	Define perfect competition. What are its key features?	[L1][CO3]	[5M]
	b)	Explain how price and output are determined under perfect competition in the short run.	[L2][CO3]	[5M]
3	a)	What is monopoly? Mention its main characteristics.	[L1][CO3]	[5M]
	b)	Illustrate how a monopolist determines price and output in the long run.	[L4][CO3]	[5M]
4	a)	List the features of monopolistic competitive market.	[L3][CO4]	[5M]
	b)	Define duopoly market and discuss its features.	[L2][CO4]	[5M]
5		What is price discrimination? Discuss who can exercise price discrimination and in which market structure it can be exercised?	[L5][CO4]	[10M]
6	a)	Justify the price and output determination under monopoly different from that under perfect competition?	[L5][CO4]	[5M]
	b)	What do you understand by price discrimination non- price discrimination?	[L6][CO4]	[5M]
7	a)	What is oligopoly? List the different types of oligopolies.	[L1][CO3]	[5M]
	b)	Explain price rigidity using the kinked demand curve in oligopolistic markets.	[L4][CO3]	[5M]
8	a)	Explain different pricing methods practices in India.	[L1][CO4]	[5M]
	b)	Elaborate the concept “Pricing of multiple products” system?	[L5][CO4]	[5M]
9	a)	Examine the pricing objectives which is commonly adopted by a firm.	[L5][CO4]	[5M]
	b)	In a skimming price is that where the initial price is high and slowly lowering them- comment on this statement.	[L5][CO4]	[5M]
10		Write a short note on.		
	a)	Skimming pricing	[L2][CO4]	[2M]
	b)	Penetration pricing	[L2][CO4]	[2M]
	c)	Loss leader pricing	[L2][CO4]	[3M]
	d)	Pricing of multiple products.	[L2][CO4]	[3M]

## UNIT-V

### INFLATION AND BUSINESS CYCLE

1	a)	Define Inflation. What is its meaning in economic terms?	[L1][CO4]	[5M]
	b)	Describe the main characteristics of inflation.	[L1][CO4]	[5M]
2		Evaluate the impact of inflation on consumers, producers, and economic growth.	[L5][CO4]	[10M]
3	a)	what do you understand of inflation?	[L2][CO5]	[5M]
	b)	Give its causes and effects on different sections of society?	[L5][CO5]	[5M]
4	a)	Examine the characteristics of inflation.	[L3][CO5]	[5M]
	b)	Briefly explain the features and types of inflation.	[L2][CO5]	[5M]
5		Discuss the functions that can be performed by managerial economist under different phases of business / trade cycle.	[L6][CO5]	[10M]
6		Examine the various strategies and features of Recession, trough, expansion, and recovery phase of business cycle in a current business environment.	[L3][CO5]	[10M]
7	a)	Argue the trade cycle and its process.	[L4][CO5]	[5M]
	b)	Explain any two major theories of inflation.	[L1][CO5]	[5M]
8		categorize the problems a manager faces while formulating profit policy of a business concern?	[L4][CO5]	[5M]
9	a)	What are the effects of Anti- inflation? How does it affect product market?	[L6][CO5]	[5M]
	b)	'Phases of business cycle-steps to avoid business cycles'. Substantiate this statement.	[L5][CO5]	[5M]
10		Propose a suitable policy framework for India to minimize the adverse impact of business cycles.	[L6][CO5]	[10M]

**CASE STUDY****CASE STUDY- I****10M**

Despite stiff increase in tariff by Doordarshan (DD) in March 1987 actual revenue declined. This study indicated that the number of small and medium advertisers which was on the increase before the tariff hike has now been on decline. Further there has also been a noticeable shift in favor of 20 and 10 seconds spots from 30 or more second's spots before the hike in tariff. The study found that there has been a steep decline in the actual number of advertisements on Doordarshan. This is across all TV centers and program segments. But it was more significant in the case of channel II of Delhi and Bombay.

The second channel of Bombay DD TV had no advertisements since the increase in tariff as against revenue of Rs.15, 000/- to Rs.20, 000/- per month in the corresponding months of the previous year.

In case of Delhi DD TV's second channel, the number of advertisements declined from a rate of 40 to 65 per month in May to July 1986 to a rate of 12 to none between May to July 1987. Even the actual revenue has fallen. It was about Rs.55, 000/- to 71,000/- per month in May-June period of 1986. In the current year, however, it developed to Rs.28, 000/- in June and was nil by July 1987.

**Questions:**

- (a) What happened to revenue after tariff hike for advertisement in DD?
- (b) Why has revenue declined?
- (c) Is the price-elasticity of demand for DD TV advertisements high/low/zero?
- (d) What tariff (or price) policy should DD follow for TV advertisements?

**CASE STUDY- II****10M****Government intervention**

The price of raw sugar recently reached its highest level since 1981 due to problems with supply. Historically, raw sugar has traded at between 10 and 12 US cents per pound at the New York Board of Trade. But the price increased to over 18 cents last month.

Growing demand in Brazil for sugar to be turned into ethanol for fuel, coupled with a sharp fall in Indian production have both been factors in the price increase.

Sugar production in India for 2008-09 fell 45% year-on-year due to less rain in the monsoon season damaging a number of agricultural crops.

The London-based International Sugar Organization predicts that global consumption of sugar is likely to outstrip production by 9m tones next year, forcing food companies and governments to dig into

**Course Code: 25MB9003**

stockpiles. In the US, snack producers including Mars, Nestlé and Krispy Kreme Doughnuts put pressure on the US government to relax import controls, warning that otherwise they might run out of sugar.

Commentators predict that most shoppers will be unaffected because sugar is such a small part of a consumer's typical spending in a week that no one will notice an increase in price.

**Questions:**

1. Explain, using supply and demand analysis, why the price of sugar has been increasing recently.
2. Do you think the supply and the demand for sugar is price elastic or inelastic? Justify your choices and explain whether this means any given change in supply or demand will have a bigger effect on the equilibrium price of quantity.
3. In what ways is the market for sugar used in confectionery related to the market for ethanol?
4. How might companies such as Mars and Nestlé react to an increase in the price of sugar?

**CASE STUDY- III****10M****The demand for gas**

The freezing cold spell at the beginning of 2010 not only increased demand for road salt, but it increased demand for gas in the UK. Usage reached 454 cubic metres; the previous record was 449m set in January 2003. The National Grid which is responsible for energy in the UK issued several warnings in a matter of days that demand could outstrip supply and asked supplier to increase the supply. The National Grid also told major gas users, such as power plants, to reduce demand.

Big generators, such as E.On, have both gas-fired and coal-fired power stations and are able to choose between the two. In total, 27 large gas users were asked to switch - 12 in the East Midlands and 15 in the North West.

**Questions**

1. Illustrate the effect of the cold spell on the demand for gas using a demand curve diagram.
2. Illustrate the effect of the National Grid instructing major gas users to reduce their demand.
3. Analyse two other factors that you think influence demand for gas.
4. Do you think demand for gas is price elastic or price inelastic? Explain your reasoning.

**CASE STUDY- IV****10M****Facebook**

Firms in India are losing productivity because of Facebook. Office staff are spending too long on the social networking site. According to The Associated Chambers of Commerce and Industry (Assocham) employees use Orkut, Facebook, Myspace, and LinkedIn for "romancing" and other purposes. On average, employees spend an hour a day on sites like Facebook. This reduces productivity by 12.5%. Nearly half of office employees accessed Facebook during work time. Some 83% saw nothing wrong in surfing at work during office hours. In September 2009 Portsmouth City Council in England banned

staff from accessing Facebook on its computers when it was discovered that they spent, on average, 400 hours on the site every month.

**Question**

1. What is meant by productivity?
2. Analyze the impact on a fall in productivity on costs.
3. Analyze the possible consequences for businesses in India of banning access to Facebook and other social networking sites.
4. Do you think access should be denied?

**CASE STUDY- V****10M**

Jindal Pvt. Ltd. was established in 1995. The company started manufacturing of Water Geyser with a brand name of 'Ganga'. During initial 10 years, the company made good profits. But, its profits gradually declined due to competition from national brands. The promoters of the company had a committed team of workers who were constantly working on Research and Development. Finally, they came out in the year 2006, with an innovative product, named Maha Ganga which runs even at very low voltage and consumes less electricity. Thus, the company is monopoly manufacturer of 'Maha Ganga'. The company is currently supplying its products in geographically separated markets of Punjab and Haryana. The company is currently charging the same price in Himachal Pradesh and Uttarakhand. The Chief Economist of the company has informed the top management that price elasticity of demand at currently-charged price is 3 in Himachal Pradesh and 5 in Uttarakhand. The top management is planning to charge two different prices in Punjab and Haryana in order to make more profits.

**Questions:**

- (1) Will it be possible for the company to charge two different prices in Himachal Pradesh and Uttarakhand? If yes, under what conditions? Explain.
- (2) Will it be profitable for the company to charge two different prices in Himachal Pradesh and Uttarakhand? - Explain.
- (3) Given the volume of total production, supply will be transferred from Himachal to Uttarakhand or from Uttarakhand to Himachal. Why? (Assume that transport cost for supplying the product in both the states is the same for the company.)

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