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**First Semester MBA Degree Examination, June/July 2017**  
**Economics for Managers**

Time: 3 hrs.

Max. Marks:80

- Note:** 1. Answer any *FOUR* full questions from Q.No.1 to Q.No.7.  
2. Question No. 8 is compulsory.  
3. Simple calculator may be permitted.

- 1 a. Distinguish fixed and variable cost. (02 Marks)  
b. State the law of demand and describe the exceptions to the law of demand. (06 Marks)  
c. A firm under perfect competition is a price taker and not price maker. Explain. (08 Marks)
- 2 a. What is demand forecasting? (02 Marks)  
b. What is ISO quant? Describe the features of ISO quants with suitable diagrams. (06 Marks)  
c. Industrial policy of 1991 has changed the structure of Indian Industries. Explain. (08 Marks)
- 3 a. Define business cycle. (02 Marks)  
b. After a careful statistical analysis Tasty Burgers of Mumbai concludes that the demand function for its burgers is  $Q = 500 - 3P + 2P_i + 0.1Y$  where  $Q$  = quantity demanded of its burgers;  $P$  = price of its burgers;  $P_i$  – price of burgers of jumbo burgers the closest rival of tasty burgers;  $Y$  = disposable income of consumers of Mumbai and  $P = \text{Rs.}10$ ;  $P_i = \text{Rs.}20$ ;  $Y = 6000$ .  
i) What is the price elasticity for the burgers of tasty burgers?  
ii) What is the income elasticity for burgers of tasty burgers?  
iii) What is the cross elasticity of demand between the burgers of Tasty burgers and Jumbo burgers? (06 Marks)  
c. Give the SWOT analysis of Indian Economy. (08 Marks)
- 4 a. What do you mean by Cartels? (02 Marks)  
b. Define globalization. Describe the different phases of globalization. (06 Marks)  
c. Explain the law of variable proportions with the help of a schedule and diagrams. (08 Marks)
- 5 a. Differentiate between price skimming and price penetration. (02 Marks)  
b. Discuss the determinants of short term and long term profits. (06 Marks)  
c. Explain the significance of SMEs in Indian economy. (08 Marks)
- 6 a. What is price discrimination? (02 Marks)  
b. Describe the uses of elasticity of demand for decision making. (06 Marks)  
c. What is national income? Explain the difficulties in measuring national income. (08 Marks)
- 7 a. Define inflation. (02 Marks)  
b. Describe the reasons for economies and diseconomies of scale. (06 Marks)  
c. An airline carries 10000 passengers per month at a fare of Rs.850 variable cost is Rs.100 per passenger and fixed cost is Rs. 30,00,000. Find out:  
i) Break even volume of output ( $Q_B$ )  
ii) Break even sales ( $S_B$ )  
iii) How the answer will change, if a target profit of Rs.20,00,000 is fixed by the airline? (08 Marks)





## 8 CASE STUDY:

**Indian Hotel Industry**

Based on the general features and facilities offered, the Ministry of Tourism Govt. of India classifies hotels into 7 categories: five star deluxe, five star, four star, three star, two star, one star and heritage hotels. These apart there are hotels in the unorganized sector that have a significant presence across the country and cater primarily to economy tourists. Encouraged by the boom in tourism and increased spending on leisure, there has been an influx of globally renowned groups by way of joint ventures.

The premium and luxury segment (high end 5-star deluxe and 5 star hotels) mainly cater to the business and up market foreign leisure travelers and offer a high quality and wide range of services. These constitute about 30 percent of the hospitality industry in India. The mid-market segment (3 and 4 star hotels) offers most of the essential services of luxury hotels without the high costs, since the tax component of this segment are lower compared with the premium segment. The budget segment comprises 1 and 2 star hotels, which provide inexpensive accommodation to the highly price-conscious segment of travelers. Heritage hotels are architecturally distinctive properties such as palaces and forts, built prior to 1950, that have been converted into hotels.

In the face of stiff competition, hotels in India have come up with ingenious ways to attract customers. These hotels distinguish themselves with beds, bathroom, amenities and complementary breakfast. Other facilities may include innovations in food and beverage products, spa, fitness centre or other lifestyle facilities. The ongoing revolution in cuisine has been accompanied by innovations such as free standing, niche restaurants.

**Questions:**

- a. Do you think the hotel industry is monopolistically competitive? What all features of the industry are suggestive of the same? (08 Marks)
- b. Comment on differentiation offered by hotels in India. (08 Marks)

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