

Managerial Economics – 18MBA12

Time: 3 hrs

Max. Marks: 100

Note: 1. Answer any four questions from Q. No. 1 to Q. No. 7
2. Question No. 8 is compulsory

1. a. What is macroeconomics? (03 marks)
b. Explain the roles and responsibilities of economics manager. (07 Marks)
c. Explain decision making process with a suitable example. (10 Marks)

2. a. What is opportunity cost? (03 marks)
b. Explain Cyert and March model of Behavioral theory. (07 Marks)
c. Explain Baumol's Hypothesis of Sales Maximization. (10 Marks)

3. a. What are Veblen goods? (03 Marks)
b. Explain about demand forecasting. (07 Marks)
c. How elasticity of demand effect the managerial decision making process? (10 Marks)

4. a. What is production function? (03 Marks)
b. What are the different types of costs? (07 Marks)
c. What do mean by economies of scale? Describe the various types of internal and external economics of scale. (10 Marks)

5. a. What are Cartels? (03 Marks)
b. Explain different pricing strategies. (07 Marks)
c. Explain Kinked Demand curve. (10 Marks)

6. a. Explain Break even analysis. (03 Marks)
b. What are short term and long term profits. (07 Marks)
c. Explain with an example how to assess profits and apply BEP for decision making. (10 Marks)

7. a. What is demand pull inflation? (03 Marks)
b. Explain Marris's hypothesis of Growth maximization. (07 Marks)
c. Explain the pricing strategies under monopolistic competition. (10 Marks)

8. **Case Study**

"Mahindra & Mahindra Ltd. (M&M) is a manufacturing leader in the utility vehicles (UVs) segment in the Indian automotive industry. Since 2004, M&M has been exporting UVs to South Africa, the only country in the African continent with a significant middle-

class population. M&M has set up a fully owned subsidiary in South Africa, where it has also established a servicing and spare parts infrastructure and a dealer network. This subsidiary enjoyed the growth wave in the South African automotive industry up to 2007, then fell into a three-year slump, largely as a result of a recession in the global automotive industry. Now on the verge of industry renewal in 2011, the subsidiary needs to plan its next steps in South Africa, where most global automotive companies have established either manufacturing or trading outposts in response to South Africa's long-term potential and the industry-friendly policies of its government. The case is positioned as of May 2011, when M&M's subsidiary must choose from among four alternatives. M&M can continue with its prevailing business model of importing completely built units (CBUs) from its Indian operations to meet local demand while using South Africa as a re-export hub to target the burgeoning markets in sub-Saharan Africa. It can also choose to collaborate with a local vendor to assemble vehicles locally from completely knocked down (CKD) components imported from India. Alternatively, M&M may choose to set up a manufacturing facility of its own in South Africa, a model followed by many of its competitors. Lastly, M&M can choose to wait and watch until it notes definitive signs of revival in demand, which would make it more certain of its steps. The case provides an opportunity for students to examine each alternative and make a decision on M&M's way forward in South Africa."

Questions:

a. What are the macroeconomic and microeconomic factors which will affect Mahindra & Mahindra decision in South Africa? **(10 Marks)**

b. Consider you as a Manager of Mahindra & Mahindra of South African division. Which alternative you will select from among the four alternatives mentioned in the case study? Give reason? **(10 Marks)**