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Reg. No..................................

FIRST SEMESTER (CBCSS—UG) DEGREE EXAMINATION NOVEMBER 2021

B.Com.

BCM 1C 01—MANAGERIAL ECONOMICS

(2021 Admissions)

Time : Two Hours and a Half Maximum : 80 Marks

Section A (Short Answer Type Questions)

Answer at least **ten** *questions.*
Each question carries 3 marks.
All questions can be attended.
Overall Ceiling 30.

1. Define Macro Economics.
2. What is nature and scope of managerial economics ?
3. What do you mean by Cardinal Analysis ? - Costing satisfaction
4. What is consumer surplus ?
5. What do you mean by elasticity of supply ?
6. What is called consumer equilibrium ?
7. What do you mean by 'price consumption curve' ?
8. State the features of perfect market.
9. What do you mean by Equilibrium of the Firm under Perfect Competition ?
10. What is called price discrimination under monopoly ?
11. What is collusive oligopoly ?
12. What is product differentiation ?
13. State the role of WTO in Indian economy.
14. What do you mean by under employment ?
15. What is the role of MNCs in economic development ?

(10 × 3 = 30 marks)

Turn over

Section B

Answer at least **five** *questions.*
Each question carries 6 *marks.*
All questions can be attended.
Overall Ceiling 30.

16. What are benefits of MSME from Central Government ?
17. Explain the issues in Indian Economy.
18. Write a note on parallel economy.
19. What are the main causes of inflation ?
20. What is monopoly and what are its features ?
21. Write a note on 'kinked demand curve.'
22. What do you mean by indifference curve analysis ?
23. Explain the process of decision-making.

(5 × 6 = 30 marks)

Section C

Answer any **two** *questions.*
Each question carries 10 *marks.*

24. Draw a sketch of Kerala economy.
25. Explain in detail the theory of consumer behaviour.
26. Discuss relationship of managerial economics with other disciplines.
27. Write a note on oligopoly market.

(2 × 10 = 20 marks)

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University of Calicut

B.Com First Semester Examination April.......

BCM1C01 MANAGERIAL ECONOMICS (Max. Marks 80) Time 2 ½ Hrs.

Section A- Answer all questions. (2 marks each) (Max. 25 Marks)

1. **Macro economics** is a branch of **economics** that studies how an overall **economy**—the market systems that operate on a large scale—behaves. **Macroeconomics** studies **economy**-wide phenomena such as inflation, price levels, rate of **economic** growth, national income, gross domestic product (GDP), and changes in unemployment.
2. **Nature and Scope of Managerial Economics** It is a science as well as art facilitating better **managerial** discipline. It explores and enhances **economic** mindfulness and awareness of business problems and **managerial** It is concerned with firm's behaviour in optimum allocation of resources.
3. **Cardinal** utility **analysis** is the oldest theory of demand which provides an explanation of consumer's demand for a product and derives the law of demand which establishes an inverse relationship between price and quantity demanded of a product.
4. **Consumer Surplus** is the difference between the price that **consumers** pay and the price that they are willing to pay. On a supply and demand curve, it is the area between the equilibrium price and the demand curve.
5. The law of **supply** indicates the direction of change—if price goes up, **supply** will increase. ... **Elasticity of supply** measures the degree of responsiveness of quantity supplied to a change in own price of the commodity. It is also defined as the percentage change in quantity supplied divided by percentage change in price.
6. **Consumer's equilibrium** is a situation when he spends his given income on the purchase of one or more commodities in such a way that he gets maximum satisfaction and has no urge to change this level of consumption, given the prices of commodities.
7. **Price-consumption curve** is a graph that shows how a consumer's **consumption** choices change when **price** of one of the goods changes. It is plotted by connecting the points at which budget line touches the relevant maximum-utility indifference **curve**.
8. Knowledge is available to all buyers and sellers, and no individual has control over the prices. Buyers and sellers have no barriers to enter or leave the market. Buyers and sellers want to maximize profit. There are too many sellers and buyers to take control of the market.
9. **Equilibrium of the Firm under Perfect Competition.** A **firm** is in **equilibrium** when it maximizes its profits. Hence, the output that offers maximum profit to a **firm** is the **equilibrium** output. When a **firm** is in **equilibrium**, there is no reason to increase or decrease the output.
10. A **discriminating monopoly** is a single entity that charges different **prices**—typically, those that are not associated with the **cost** to provide the product or service—for its products or services for different consumers. ... By catering to each type of customer, the **monopoly** makes more profit.
11. **Collusive oligopoly** is a form of market in which few firms form a mutual agreement to avoid competition. They form a cartel and fix the output quotas and the market price. Leading firm in the market is accepted by the cartel as a price leader.
12. In **Monopolistic Competition**, a buyer can get a specific type of **product** only from one producer. In other words, there is **product differentiation**. The firms have to incur selling expenses since there is **product differentiation** ... Therefore, no firm can produce a better quality **product** at a lower average cost.

13. **India** is one of the founding member of **WTO** . ... Lower tariff barriers and market access has helped **India** to integrate and participate in the global **economy** in a more efficient manner. (c.) Transfer & Exchange of Technology ,ideas etc. has been of tremendous help for **India** in pursuit of its growth and development.

14. Definition of **underemployment.** 1 : the condition in which people in a labour force are **employed** at less than full-time or regular jobs or at jobs inadequate with respect to their training or economic needs. 2 : the condition of being underemployed.

15. **MNCs** help a **developing** host country by increasing investment, income and employment in its **economy**. 2. They contribute to the rapid process of **development** of the country through transfer of technology, finance and modern management. ... **MNCs** promote professionalisation management in the companies of the host countries.

Section B- Answer all questions. (5 marks each) (Max. 35 Marks)

16. Some of the **benefits** from Central Government include easy sanction of bank loans (Priority sector lending), lower rates of interest, excise exemption scheme, exemption under Direct Tax Laws and statutory support such as reservation and the interest on Delayed Payments Act.

17. **The primary economic issues in India are:** Low per capita income. Huge dependence of population on agriculture. Heavy population pressure. The existence of chronic unemployment and under-employment. Slow improvement in Rate of Capital Formation. Inequality in wealth distribution. Poor Quality of Human Capital.

18. Parallel economy is the functioning of an unsanctioned sector in the economy whose objectives run in opposite to the objectives of official, sanctioned or legitimate sector. The parallel economy has political, commercial, legal, industrial, social and ethical aspects.

Prevalence of black money gives rise to parallel economy. The term parallel economy is also referred as black economy, unaccounted economy, illegal economy, subterranean economy or unsanctioned economy.

A striking point about parallel economy is that it promotes the type of economic activities where undisclosed income remains hidden to the tax authorities. Usually, conspicuous consumption, real estate, investment in foreign assets, criminal activities, corruptions etc are the typical spending pattern in the parallel economy. Transactions are executed in an opaque manner.

19. **Inflation** means there is a sustained increase in the price level. The **main causes of inflation** are either excess aggregate demand (AD) (economic growth too fast) or cost push factors (supply-side factors). Even rise in food prices or what is called food inflation is caused by supply-side factors such as inadequate rainfall or untimely monsoon and other adverse weather conditions and inadequate availability of fertilizers which lead to reduction in output of food grains is the example of cost-push or supply-side inflation ...

20. A **monopoly** market is characterized by the profit maximizer, price maker, high barriers to entry, single seller, and price discrimination. **Monopoly characteristics** include profit maximizer, price maker, high barriers to entry, single seller, and price discrimination

21. In an oligopolistic market, the **kinked demand curve** hypothesis states that the firm faces a demand curve with a kink at the prevailing price level. The curve is more elastic above the kink and less elastic below it. This means that the response to a price increase is less than the response to a price decrease.

22. An **indifference curve** is a graph that shows a combination of two goods that give a consumer equal satisfaction and utility, thereby making the consumer indifferent. .. In economics, an indifference curve connects points on a graph representing different quantities of two goods, points between which a consumer is indifferent. ... In other words, an indifference curve is the locus of various points showing different combinations of two goods providing equal utility to the consumer.

23. The major steps involved in managerial decision making process are explained below: Establishing the Objective: .Defining the Problem: ...Identifying Possible Alternative Solutions (i.e. Alternative Courses of Action): ...Evaluating Alternative Courses of Action: ...Implementing the Decision:

Section C- Answer any two questions. (10 marks each) (Max. 20 Marks)

24. Kerala has the eleventh largest economy in India. Service industry dominates the Kerala economy. Kerala's per capita GDP in 2016-17 was Rs.140,107. Kerala's high GDP and productivity figures with higher development figures is often dubbed the "Kerala Phenomenon" or the "Kerala Model" of development by economists, political scientists, and sociologists. This phenomenon arises mainly from Kerala's land reforms; social upliftment of entire communities implemented by various governments ruled the state. Some describe Kerala's economy as a "democratic socialist welfare state". Some, such as Financial Express, use the term "Money Order Economy". Kerala's economic progress is above the national average, with numerous major corporations and manufacturing plants being headquartered in Kerala, specifically in Kochi. Estimates of the 2013 Tendulkar Committee Report on poverty suggest that percentages of population below poverty line in rural and urban Kerala are 9.14% and 4.97%.Kerala, accounts for 2.8% of India's population, but its economy contributes nearly 4% to the Indian economy. Thus, the southern state's per capita income is 60% higher than India's average. This has fuelled internal migration to Kerala for low-end jobs, even as Keralites have emigrated—mostly to the Gulf countries—in search of better-paying jobs .Around 3,000,000 Keralites are working abroad, mainly in Persian Gulf; to where migration started with the Gulf Boom. The Kerala Economy is therefore largely dependent on trade in services and resulted remittances. In 2012, the state was the highest receiver of overall remittances to India which stood at Rs.49,965 Crore (31.2% of the State's GDP), followed by Tamil Nadu, Punjab and Uttar Pradesh. S. Rajan describes the situation as "Remittances from global capitalism are carrying the whole Kerala economy". With 11.8% of the labour force unemployed in 2015, Kerala is 11th in unemployment in India Underemployment, low employability of youths, and a 13.5% female participation rate are chronic issues. The 'Report on Fifth Annual Employment - Unemployment Survey for 2015-16' prepared by the labour bureau of the Union ministry of labour and employment indicates that Tripura had the highest unemployment rate of 19.7% in India, followed by Sikkim (18.1%) and Kerala (12.5%).

25. **The Theory of consumer behaviour** in **Economics** describes how consumers allocate incomes among different goods and services to maximize their utility. Here consumer behaviour is best understood in three distinct steps - consumer preferences, budget constraints, and consumer choices. Utility in the theory of consumer behaviour: People demand goods because they satisfy the wants of the people. The utility means want-satisfying power of a commodity. It is also defined as property of the commodity which satisfies the wants of the consumers. Utility is a subjective thing and resides in the mind of men. **Approaches to Consumer Behaviour.**

The most popular approaches to consumer behaviour can be divided into cognitive, behaviourist and psychodynamic categories. Cognitive approach to consumer behaviour focuses on information processing capabilities of consumers. Principles of Consumer Behaviour. The psychological aspects of consumer behaviour are examined in order to better understand your target market as consumers. Needs and motivation, risk perception, group dynamics, attitudes, and the consumer decision-making process are discussed. Consumer Behaviour models include: Pavlovian Model. Economic Model., Input, Process, Output Model. Psychological Model. Howarth Sheth Model. Sociological Model. Family Decision making model. Engel-Blackwell-Kollat Model.

26. **Managerial Economics in Relation with other Disciplines:** Branches of Knowledge. Managerial economics has a close linkage with other disciplines and fields of study. The subject has gained by the interaction with Economics, Mathematics and Statistics and has drawn upon Management theory and Accounting concepts. Economics is classified as a social science. This view makes economics an academic relative of political science, sociology, psychology and anthropology. All of these disciplines study the behaviour of human beings individually and in groups. They study different subsets of the actions and' interactions o human beings. Managerial economics is very closely linked to microeconomic theory, macroeconomic theory, statistics, decision theory, and operations research. It draws together and relates ideas from several functional fields of business administration, including accounting, production, marketing, finance, and business policy. Managerial economics has a close interaction with Economics, Mathematics and Statistics but also Management theory and Accounting concepts. Managerial economic integrates concepts and methods from these disciplines and brings them together to solve managerial problems.

27. **Oligopoly** is a market structure with a small number of firms, none of which can keep the others from having significant influence. The concentration ratio measures the market share of the largest firms. A monopoly is one firm, duopoly is two firms and oligopoly is two or more firms. Types of Oligopoly: Pure or Perfect Oligopoly: If the firms produce homogeneous products, then it is called pure or perfect oligopoly. ...Imperfect or Differentiated oligopoly: Collusive Oligopoly: ..Non-collusive Oligopoly: ...Few firms: ...Interdependence: ...Non-Price Competition: ...Barriers to Entry of Firms: The three most important characteristics of oligopoly are: (1) an industry dominated by a small number of large firms, (2) firms sell either identical or differentiated products, and (3) the industry has significant barriers to entry. The interdependence in the decision-making of the few firms that make the industry is the most important characteristic of an oligopolistic market. This is important because, when the competitors are few, if a firm makes a small change in price, output, etc., it can have a direct impact on its rivals. Oligopolies may adopt a highly competitive strategy, in which case they can generate similar benefits to more competitive market structures, such as lower prices. Even though there are a few firms, making the market uncompetitive, their behaviour may be highly competitive.