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Name..............................

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

FIRST SEMESTER (CBCSS—UG) DEGREE EXAMINATION
NOVEMBER 2022

B.Com.

BCM 1C 01—MANAGERIAL ECONOMICS

(2019—2022 Admissions)

Time : Two Hours and a Half

Maximum : 80 Marks

Part A

Answer **all** *questions.*
Each question carries 2 marks.

1. What is meant by indifference curve
2. Define managerial economics.
3. What is FDI ?
4. What is cross demand ?
5. What is under-employment ?
6. What is consumer surplus ?
7. What is marginal utility ?
8. What is meant by price discrimination ?
9. What do you understand by demand theory ?
10. What is Duopoly ?
11. What do you mean by advertising elasticity of demand ?
12. What is shutdown point ?
13. What do you know about WTO ?
14. Why managerial economics is called *pragmatic* ?
15. What is meant by collusive oligopoly ?

(15 × 2 = 30, Maximum ceiling 25 Marks)

Turn over

Part B

Answer **all** *questions.*

Each question carries 5 marks.

16. Explain the role of government in a market economy.
17. In what all ways WTO implicated Indian economy ?
18. Explain the process of decision-making.
19. Why does demand curve slope downward ?
20. Explain the responsibilities of a managerial economist.
21. State the features of Indian economy.
22. Differentiate between perfect competition and monopolistic competition.
23. Write a note on Intellectual Property Rights.

(8 × 5 = 40, Maximum ceiling 35 Marks)

Part C

Answer any **two** *questions.*

Each question carries 10 marks.

24. Discuss the poverty alleviation programmes of government.
25. Define elasticity of demand. Explain the practical importance of it in the business decisions.
26. Write an essay on India's trade reforms.
27. What is Monopoly ? Explain the price and output determination under monopoly.

(2 × 10 = 20 marks)

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KEY SET 2 **BCM1C01 MANAGERIAL ECONOMICS**

1. An indifference curve is a graphical representation of combined products that gives similar kind of satisfaction to a consumer thereby making them indifferent. Every point on the indifference curve shows that an individual or a consumer is indifferent between the two products as it gives him the same kind of utility.
2. Managerial economics means the application of economic theory to the problem of management. Managerial economics may be viewed as economics applied to problem solving at the level of the firm. It enables the business executive to assume and analyse things.
3. Foreign direct investment (FDI) is made when a business takes controlling ownership in a company, sector, individual, or entity in another country. Through FDI, foreign companies are directly involved with day-to-day tasks from the other country, resulting in a transfer of money, knowledge, skills, and technology.
4. When the demand of one commodity is related with the price of other commodity, it is called cross demand. The commodity may be substitute or complimentary.
5. Underemployment is a condition in which workers are employed in less than full-time or regular jobs or insufficient jobs for their training or economic needs. In addition, underemployment is a worker's underuse because a job does not use the skills of the worker, i.e. part-time, or leaves the worker idle.
6. Consumer surplus, also known as buyer's surplus, is the economic measure of a customer's excess benefit. It is calculated by analysing the difference between the consumer's willingness to pay for a product and the actual price they pay, also known as the equilibrium price.
7. Marginal Utility (MU) refers to additional utility on account of the consumption of an additional unit of a commodity.
8. Price discrimination refers to a pricing strategy that charges consumers different prices for identical goods or services.
9. It is the study of behaviour of consumers. Demand theory is an economic principle relating to the relationship between consumer demand for goods and services and their prices in the market. Demand theory forms the basis for the demand curve, which relates consumer desire to the amount of goods available.
10. A duopoly market is where there are two sellers and a large number of buyers. It is a special case of an oligopoly, in which only two firms exist.

11. The advertisement elasticity of demand is a degree of responsiveness of a change in the sales of a product with respect to a proportionate change in advertisement expenditure.

12. The situation in which a firm stops production and leaves the market is called shut down point. When a firm is able to cover its variable costs only, it will be at shut-down point. At shut-down point, the firm no longer gets benefits from its operations.

13. WTO stands for World Trade Organisation. It is the successor of GATT from January 1995. It is only international organisation dealing with the global rules of trade between nations. It sets the rules for the global trading system and resolves disputes between its member nations.

14. Managerial economics is pragmatic. It tries to solve the managerial problems in their day-to-day functioning and avoids difficult issues of economic theory. Managerial Economics uses economic concepts and principles that are known as the theory of firm or economics of the firm. They are essential to solve the problems, which the firms face in the real world. Managerial Economics incorporates tools from many other disciplines like mathematics, statistics, accounting, marketing, etc. Therefore, is in interdisciplinary in nature.

15. When in an oligopoly market firms cooperate with each other in determining price and output it is called collusive oligopoly. In the case of collusive oligopoly, the competing firms collude in order to reduce the uncertainties cropping out of the inherent rivalries among them. OPEC is an example of such type of collusion.

16. The regulatory role-The planning role-Entrepreneurial role-Promotional role.

17. Reduction of Tariff and Non-tariff barriers-Trae related investment measures-Trade related intellectual property rights-Agreement on agriculture-Agreement on sanitary and phytosanitary measures-Multi-Fibre agreement.

18. Recognise the need for decision making-Define the problem-Identify and evaluate alternatives-Choose the best alternative-Implement the decision-Assess the result.

19. Law of diminishing marginal utility-Income effect-substitution effect-Change in the number of consumers-different uses of commodity.

20. To measure the increase in the earning capacity of a firm-To make successful forecasting-To contact the sources of economic information and experts-To keep the management informed of all the possible economic trends-To achieve respectable status in the firm—To perform function sincerely.

21. Low per capita income-Low living standards and low quality of life-Excessive dependence of agriculture- Unfavourable demographic features-Existence of chronic unemployment and under

employment-Wide spread poverty-Inequality in the distribution of income and wealth-Inadequate infrastructure-Spurt in growth rate.

22. Perfect Competition Vs Monopolistic Competition

Perfect Competition	Monopolistic Competition
Large number of firms	Fairly large number of firms
Homogenous product	Differentiated product
Demand curve is horizontal straight line	Demand curve is downward slopping
Perfect elastic demand	High elastic demand
Price takers	Price makers
It is not realistic; it is a hypothetical situation	It is a practical scenario
Entry and exit are easy	Entry and exit possible but are not comparatively easy
Uniform price	Different prices

23. Intellectual property is the product of the human intellect including creativity concepts, inventions, industrial models, trademarks, songs, literature, symbols, names, brands,....etc. Intellectual Property Rights do not differ from other property rights. They allow their owner to completely benefit from his/her product, which was initially an idea that developed and crystallized. They also entitle him/her to prevent others from using, dealing or tampering with his/her product without prior permission from him/her. He/she can in fact legally sue them and force them to stop and compensate for any damages. IPR is not a new concept. It is believed that IPR initially started in North Italy during the Renaissance era. In 1474, Venice issued a law regulating patents protection that granted an exclusive right for the owner. The copyright dates back to 1440 A.D. when Johannes Gutenberg invented the printing press with replaceable/moveable wooden or metal letters. Late in the 19th century, a number of countries felt the necessity of laying down laws regulating IPR. Globally, two conventions constituting the basis for IPR system worldwide had been signed; Paris Convention for the Protection of Industrial Property (1883) Berne Convention for the Protection of Literary and Artistic Works (1886). Intellectual property rights include patents, copyright, industrial design rights, trademarks, plant variety rights, trade dress, geographical indications, and in some jurisdictions trade secrets.

24. **Self-employment and wage employment programmes**(SGSY→ Swarnajayanti Gram Swarozgar Yojana-PMRY→ Prime Ministers' Rozgar Yojana-REGP→ Rural Employment Generation Programme-SJSRY→ Swarna Jayanti Shahari Rozgar Yojana-JRY→ Jawahar Rozgar

Yojana-NRY→ Nehru Rozgar Yojana-NREGP→ National Rural Employment Generation Programme)- **Food Security Programmes**(PDS-ICDS-MDMS-AS-AAY)-**Social Security Programmes**(Aam Aadmi Bima Yojana-Indira Gandhi National Old age pension scheme-RSBY-Atal Pension Yojana-Janasree Bima Yojana-PM Jeevan Jyoti Bima Yojana-PM Suraksha Bima Yojana-National Social Assistance Programme).

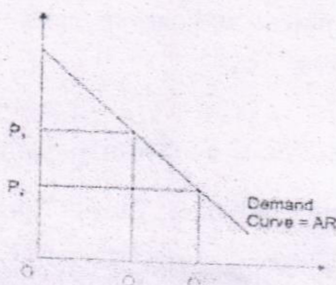
25. The degree of responsiveness of demand to the changes in determinants of demand (Price of the commodity, Income of a Consumer, Price of related commodity) is known as elasticity of Demand. **Importance:** Price determination-Monopoly-Help to the government-Price discrimination-Determination of share for various factors of production-Helpful in international l trade-Paradox of poverty Amidst Plenty- In Demand Forecasting- In the Determination of Prices of Joint Products-Helpful in Adopting the Policy of Protection- In the Determination of Output Level.
26. Liberalisation of imports and exports- Rationalisation of tariffs-Devaluation and flexible exchange rate-Trading houses-SEZs-Agriculture Export Zones-Focus on service exports-Concessions and exemptions.
27. Monopoly is a situation where there is a single seller in the market. A monopoly is a firm who is the sole seller of its product, and where there are no close substitutes. An unregulated monopoly has market power and can influence prices.

A firm under monopoly faces a downward sloping demand curve or average revenue

In monopoly, since average revenue falls as more units of output are sold, the marginal revenue is less than the average revenue.

In monopoly, there is only one producer of a product, who influences the price of the product by making Change m supply. The producer under monopoly is called monopolist. If the monopolist wants to sell more, he/she can reduce the price of a product. On the other hand, if he/she is willing to sell less, he/she can increase the price.

As we know, there is no difference between organization and industry under monopoly. Accordingly, the demand curve of the organization constitutes the demand curve of the entire industry. The demand curve of the monopolist is Average Revenue (AR), which slopes downward.



It can be seen that more quantity (OQ_2) can only be sold at lower price (OP_2). Under monopoly, the slope of AR curve is downward, which implies that if the high prices are set by the monopolist, the demand will fall. In addition, in monopoly, AR curve and Marginal Revenue (MR) curve are different from each other. However, both of them slope downward.

The negative AR and MR curve depicts the following facts:

i. When MR is greater than AR, the AR rises

ii. When MR is equal to AR, then AR remains constant

iii. When MR is lesser than AR, then AR falls

Here, AR is the price of a product, As we know, AR falls under monopoly; thus, MR is less than AR.

Monopoly Equilibrium:

Single organization constitutes the whole industry in monopoly. Thus, there is no need for separate analysis of equilibrium of organization and industry in case of monopoly. The main aim of monopolist is to earn maximum profit as of a producer in perfect competition.

Unlike perfect competition, the equilibrium, under monopoly, is attained at the point where profit is maximum that is where MR=MC. Therefore, the monopolist will go on producing additional units of output as long as MR is greater than MC, to earn maximum profit.

Short-Run and Long-Run View under Monopoly:

In the short run, the monopolist should make sure that the price should not go below Average Variable Cost (AVC). The equilibrium under monopoly in long run is same as in short-run. However, in long run, the monopolist can expand the size of its plants according to demand. The adjustment is done to make MR equal to the long run MC.

In the long run, under perfect competition, the equilibrium position is attained by entry or exit of the organizations. In monopoly, the entry of new organizations is restricted.

The monopolist may hold some patents or copyright that limits the entry of other players in the market. When a monopolist incurs losses, he/she may exit the business. On the other hand, if profits are earned, then he/she may increase the plant size to gain more profit.