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Code: 17MBA1002

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**ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI
(AUTONOMOUS)
I MBA I Semester Regular & Supplementary Examinations, December, 2018
MANAGERIAL ECONOMICS**

Time: 3 Hrs

Max. Marks: 60

**Answer any Five questions
All questions carry EQUAL marks
Question No. 8 is Compulsory**

1. a) Define Managerial Economics. Explain its Nature and scope. 6M
b) Explain the roles and responsibilities of Managerial Economist. 6M
2. a) Define Demand. Explain determinants of Demand. 6M
b) Define Demand Forecasting. Explain the various methods of Demand forecasting. 6M
3. a) Explain the relationship between fixed and variable cost. 6M
b) Define cost. Explain the difference between Explicit costs Vs. Implicit costs. 6M
4. a) Define production Function. Explain the managerial uses of production function. 6M
b) Define Economies of Scale. Explain internal and external economies of scale. 6M
5. a) Define Market. Explain the different types of market. 6M
b) Define Perfect Competition characteristics. Explain price and output determination under perfect competition. 6M
6. a) Define Profit. Explain the theories of Profit. 6M
b) Explain the different policies of Profit. 6M
7. a) Explain the Criteria of a good forecasting method. Suggest the best method with appropriate example. 6M
b) Define Oligopoly Market .Explain the Kinky Demand Curve. 6M

8.

CASE STUDY:

12M

Soomesh Sharma grew up in a robust North Indian family where taking medicines for petty problems was frowned upon. Elders in the family believed that minor ailments could be cured by appropriate precautions and diet control. Soomesh particularly remembered how he was chided for wanting to eat ice-cream when he had sore throat. He was not only denied his favourite ice cream, but was also administered liberal doses of ginger juice.

Soomesh majored in commerce in college and rounded – off his studies with an MBA in Marketing from USA. He returned to India and bought out Cool Cream Pvt. Ltd., a company recognized as the manufacturer of the finest ice-cream throughout the country.

Soomesh was visiting his sister who stayed in another town when his throat became infected. Out of old habit, he gave up ice-cream and asked his sister for some ginger juice. His sister, out of sympathy for her brother, mixed some ginger juice in a bowl of ice-cream and Soomesh ate the innovative product with great delight. The entrepreneur in Soomesh told him that his sister had an excellent marketable product. Shortly after returning to his company, Soomesh instructed the R&D center at Cool Cream to develop a ginger ice – cream. The product so developed was named Adrak Ice – Cream and tested in the market. The concept of an ice – cream containing ginger, which would protect the throat of those, who relished ice – cream, was seen to have been well received.

Soomesh, thereafter, called a conference of various department heads to work out a pricing strategy for Adrak Ice – Cream. The manager of finance wanted the price to cost of the product plus a 100 per cent of profit. The R&D chief supported him. It emphasized that the product would be copied in no time and Cool Cream would lose the advantage and investment I'm developing the idea. The sales team advocated a low price to introduce the product so that it would be accepted in the market. The manufacturing manager was not willing to compromise on the quality to cut the price/cost. He insisted that Cool Cream must maintain its fair name at all cost. The Purchase Manager pointed out to the difficulties of buying and keeping stocks of an agricultural product like ginger. He added that this would add to the costs.

You were invited to this brain storming session as a consultant and are required to recommend a pricing strategy to Soomesh Sharma, the owner of Cool Cream Pvt. Ltd.