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## First Semester MBA Degree Examination, Aug./Sept.2020 Managerial Economics

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 Managerial Economics? (03 Marks)  
b. Explain the concepts of Macro economics and Micro economics. (07 Marks)  
c. Explain the steps of decision making process, with a suitable example. (10 Marks)
- 2 a. What is Opportunity Cost? Give an example. (03 Marks)  
b. Explain Simon's satisfying Model of Behavioural theory. (07 Marks)  
c. Explain Baumol's Hypothesis of sales maximization, with a suitable graph. (10 Marks)
- 3 a. What is Income Elasticity of demand? (03 Marks)  
b. State 'Law of Demand'. What are its exceptions? (07 Marks)  
c. Explain the different survey methods of demand forecasting. (10 Marks)
- 4 a. What is 'Economies of Scale'? (03 Marks)  
b. What are different cost concepts? (07 Marks)  
c. What is Iso – Quant curve? Briefly explain its properties. (10 Marks)
- 5 a. What is Product Life Cycle pricing? (03 Marks)  
b. Explain the features of Monopolistic competition. (07 Marks)  
c. Explain 'Kinked Demand curve', with a neat diagram. (10 Marks)
- 6 a. What is Contribution? (03 Marks)  
b. What is the use of Break – even analysis in Managerial decision making? (07 Marks)  
c. Explain with graph how to access profits and apply BEP for decision making using linear revenue and cost functions. (10 Marks)
- 7 a. What is a Cartel? (03 Marks)  
b. Explain Cross – elasticity of demand. Explain its uses. (07 Marks)  
c. 'A firm under perfect competition is a price taker and not price maker'. Explain. (10 Marks)

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### Jio : The new Samurai in Telecom Battle

RIL chairman Mukesh Ambani's new venture Reliance Jio launched its tariff plans on 1<sup>st</sup> September 2016. It offered free voice and data services for its users till 31<sup>st</sup> December 2016, in order to capture the market. Immediately Bharti Airtel Rs 12,000 crore in market capitalization eroded Ideal Cellular Ltd., lost its market value by Rs 2800 crore.

Reliance Jio had also appealed to TRAI on 10<sup>th</sup> April 2017, for strongest possible action and highest penalty against Bharti Airtel, Aditya Birla group's Idea Cellular and UK based Vodafone's Indian subsidiary for using unfair means to retain customers using number portability to exit their networks and join services of Jio.

Lot of analysts now believes that Reliance Jio's entry with such kind of offers of free voice calls, roaming and probably world's cheapest data plans will kick start the telecom industry consolidation and will push smaller mobile service providers such as Aircel, Telenor India, Tata Teleservices and Reliance Communication towards exiting the Industry. Bharti Airtel, the country's largest mobile operator, along with Vodafone and Idea reacted in September itself, by launching unlimited voice plans bundled with data. For example, Airtel announced a 90 – day free 4G data pre – paid pack through initially restricting it only to Rs 1,495 plan. Airtel had also introduced free – voice plans on some of its existing premium plans by then. Even State – owned BSNL announced a counter – attack by offering free voice calling beginning in 2017.

The battle further intensified with operators approaching authorities with allegations and counter allegations. Bharti Airtel moved fair trade regulator CCI (Competition Commission of India) with the allegation that Jio is indulging in 'Predatory pricing' by way of providing free services. Airtel also alleged that Reliance Jio is abusing its dominant position. Jio has in turn, accused Airtel for misleading consumers through advertising claiming "Airtel is officially the fastest network in the Country".

The Advertising Council of India has ruled against Airtel and asked it to modify or withdraw the commercial by 11<sup>th</sup> April 2017. The modified advertisement is pitching Airtel as "India's Fastest Network", dropping the word "Officially".

#### Questions :

- a. When companies enter into price war, consumer is the ultimate gainer. Discuss in light of telecom industry. (10 Marks)
- b. Do you think regulatory authorities should intervene in the matter of market? Why? Why not? (10 Marks)

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