

[This question paper contains 2 printed pages.]

4245

Your Roll No. ....

MBA (FT)

A

Paper F – 103 – MANAGERIAL ECONOMICS

Time : 3 Hours

Maximum Marks : 70

(Write your Roll No. on the top immediately on receipt of this question paper.)

Attempt any FIVE questions. All questions carry equal marks.

**Question 1**

Suppose you are a stock market analyst specializing in the stocks of theme parks, and you are examining Disneyland's stock. The Wall Street Journal reports that tourism has slowed down in the United States. At Six flags Magic Mountain in Valencia, California, a new Viper roller coaster is now operating and another new ride, Psyclone, will be opening this year. Using demand and supply analysis, predict the impact of these events on ticket prices and attendance at Disneyland. As reported in The Wall Street Journal, Disneyland slashed ticket prices and admitted that attendance was somewhat lower. Is this consistent with your prediction using demand and supply analysis? In light of the fact that both price and output were falling at Disneyland, is the law of demand being violated in the world of fantasy?

**Question 2: Attempt any two of the following:**

- a. What determines whether the producer's burden will be greater or smaller than the consumer's burden, when a per unit tax is imposed on the suppliers? Illustrate the same graphically.
- b. Is drug education better than drug interdiction? Why?
- c. Derive and explain the relationship between TR, MR, AR and elasticity. Illustrate the same graphically also.

**Question 3**

Gamma Corporation, one of the firms that retains you as a financial analyst, is considering buying out Beta Corporation, a small manufacturing firm that is now barely operating at a profit. You recommend the buyout because you believe that new management could substantially reduce production costs, and thereby increase profits to a quite attractive level. You collect the following product information in order to convince the CEO at Gamma Corporation that Beta is indeed operating inefficiently.

$$MP_L = 10$$

$$P_L = \$20$$

$$MP_K = 15$$

$$P_K = \$15$$

P.T.O.

Explain how these data provide evidence of inefficiency. How could the new manager of Beta Corporation improve efficiency? Can you relate the information with graphical representation?

#### Question 4

- i. According to the Cyert and March model, the firm is a satisficing organisation rather than a maximising entrepreneur. Elucidate. Which is the most important means for the resolution of the conflict amongst the aspiration levels of the various groups in an organisation? Are there any examples of the applicability of Cyert and March in organization behavior/decision-making in current business scenario?
- ii. Illustrate and explain why a sales maximizer sells more than a profit maximizer? Under what circumstances, if any, will the sales maximizing output be the same as the profit maximizing output?

#### Question 5

*"Monopolistic Competition is the form of market organization in which there are many sellers of a differentiated product and entry into and exit from the industry are rather easy in the long run".*

While commenting on the same, also give the implications of each of the characteristic features of the monopolistic market.

#### Question 6

Given the following pay-off matrix where the pay-offs refer to the profits that Firm A and B earn by cheating and not cheating in a cartel, determine

- i) Whether firms A and B face the prisoner's dilemma and
- ii) What would happen if we changed the pay-off in the bottom left cell to (5, 5).

*Note: The first pay-off is for Firm A, while the second is for Firm B*

	<b>Firm B</b>	
	Cheat	Do not Cheat
<b>Firm A</b>	Cheat	(8,1)
	Do not Cheat	(6,5)