

PGDM (Retail Management), Batch 2014-16
Managerial Economics
Subject Code RM 104
Batch 2014-16

Trimester – I, End-Term Examination: September 2014

Time allowed: 2.5 Hours

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A: Please attempt any three out of the five given questions
(5 marks each)

1. Distinguish between inferior goods and normal goods and between a shift in the demand curve and movement of the demand curve.
2. What is meant by elasticity of demand?
 - a. Suppose price elasticity co-efficient for a commodity is estimated at (-)2. What does it mean?
 - b. Suppose cross elasticity of demand is estimated at (-)2. What does it mean?
3. Explain and illustrate the price consumption curve and income consumption curve.
4. Define and explain isoquants. What are the properties of isoquants
5. What is meant by price discrimination. Why do monopoly firms adopt discriminating pricing policy

Section B: Please attempt any two out of the three given questions: (10 marks each)

1. What do you understand by the substitution effect and the income effect. Discuss the substitution effect and income effect of a fall in price of a normal good on the quantity demanded.
2. What is meant by production function. Discuss the law of variable proportion or diminishing returns. How is it important in decision making for a producer.

3. Perfect Competition leads to a more efficient use of society's resources than monopoly. Comment

Section : C Case Study (7.5 marks each)

Give your answers for the following case.

There are usually thousands of restaurants in any large city, catering to all types of foods, tastes, incomes, and sectors. Some restaurants are luxurious and expensive like those attached with star hotels, while others are simple and inexpensive. Some restaurants provide entertainment, while others do not. Some are located in malls along with theaters, while others are located in business centers as well as residential areas and serve accordingly.

Delhi is known for its wide-ranging variety of restaurants located across the city. Connaught Place, built in 1931, is one of Delhi's most popular shopping centers. It has about 39 quality eating-houses. A certain block here has four types of restaurants-Indian, Italian, Mexican, and Chinese. Entry into the restaurant business is also relatively easy (witness the hundreds of restaurants that open each year and the about equal number that close in any large city during the same year). Since each restaurant offers a somewhat differentiated product, many advertise their existence, location, and menu, together with the usual claim (which no one really takes seriously) of superiority over all other restaurants in the same class.

Differentiation and the operator's choice of cuisine and concept are considered highly important because of the fast-paced growth in the restaurant business. This leaves operators feeling a strong need to be competitive and to have the right sort of identity that will ensure long-term popularity and appeal as well as clear voice. Hygiene and sanitation consciousness also seems to have finally caught up with operators. This is probably in response to consumer demands and a need to be competitive. The most significant factor in terms of décor and design is the comfort and over all ergonomics of the establishment.

1. On the basis of the above given case study, analyse the kind of market structure in which restaurant's operate and state reasons for the same.
2. Explain the short run equilibrium condition for a firm under monopolistic competition. If this is characterized by the existence of pure profit, what will happen to bring about long run equilibrium in the industry.