PGDM (Retail Management), Batch 2017-19
Managerial Economics and Overview of Macroeconomics
Subject Code RM 303
Batch 2017-19
Trimester – III, End-Term Examination: March 2018

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) Explain why a situation of excess demand will result in an increase in the market price. Will a situation of excess supply result in a decrease in the market price
2) Which products would exhibit a higher elasticity with respect to interest rates, automobile or small appliances?
3) What does the concept of indifference curve denote? Discuss the properties of indifference curve.
4) What are economies of scale and economies of scope
5) From GDP at market price, how do you arrive at NNP at factor cost; what do you understand by Nominal GDP and Real GDP.

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

1) What do you understand by the concept of consumer's equilibrium. Explain with the help of indifference curves and budget line
2) Discuss the Law of diminishing returns/variable proportions. Why is this considered a short run phenomena.
3) What do you understand by price discrimination? Discuss with the help of examples

Section : C Case Study (7.5 marks each)

Parking Meter Pricing in Chicago

In 2009 the city of Chicago outsourced its parking meters, selling the rights to install, operate, and collect the profits from the meters to the private firm Chicago Parking Meters (CPM). Meter rates were substantially increased throughout the city, to great protest from citizens. As of January 2010, the meter rate was $4.50 per hour in the Loop business district. In other busy downtown neighborhoods the rate was $2.50 per hour, while in less busy areas it was $ 1.25.

The monopoly rule shows why it might make sense for CPM to increase the price in busy areas. The convenience of driving one's car and parking right on the street means that CPM faces a downward-sloping demand curve. It is reason able to assume that the marginal cost of operating an additional parking meter is approximately the same in each neighbourhood. However, the demand curve for parking in the Loop probably lies above and to the right of the demand curve for parking in other parts of Chicago. This is because of congestion and because more drivers have urgent business and so are willing to pay more for the convenience of street parking. Given all of this, the monopoly rule implies that CPM can increase its profits by charging higher prices in the Loop, and lower prices in less busy neighborhoods.

1) With reference to the above given case, discuss the characteristics of monopoly market structure.
2) Discuss the equilibrium of a firm in a monopoly market

9