PGDM (Retail Management), Batch 2016-18
Managerial Economics and Overview of Macroeconomics
Subject Code RM 303

Trimester – III, End-Term Examination: March 2017

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. What are the factors affecting elasticity of demand
2. Discuss Barometric forecasting and Delphi technique of forecasting
3. Keeping the cardinal approach in mind, what are the three rules of Optimisation
4. What do you understand by marginal revenue, shut down point, variable cost and fixed cost?
5. How is the study of production isoquant valuable to the manager

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

1. Discuss the circular flow of expenditure and income of calculating GDP
2. Discuss the income effect and substitution effect of a price change for a normal good with the help of indifference curve analysis
3. Discuss the Law of diminishing returns/variable proportions and the law of returns to scale.

SR

Section : C **Case Study** **(7.5 marks each)**

At first glance, the credit card market would seem to be a rather concentrated industry. Visa, MasterCard and American Express are the most familiar names, and over 60 per cent of all charges are made using one of these three cards. But on closer examination, the industry seems to exhibit most characteristics of perfect competition. Consider first the size and distribution of buyers and sellers. Although Visa, Mastercard and American Express are the choices of the majority of consumers, these cards do not originate from just three firms. In fact, there are over six thousand enterprises (primarily banks and credit unions) in the US that offer charge cards to over 90 million credit card holders. One person's Visa card may have been issued by his company's credit union in Los Angeles, while a next door neighbour may have acquired hers from a Miami Bank when she was living in Florida. Creditcards are a relatively homogenous product. Most Visa cards are similar in appearance, and they can all be used for the same purposes. When the charge is made, the merchant is unlikely to notice who it was that actually issued the card. Entry into and exit from the credit card market is easy as evidenced by the 6000 institutions that currently offer cards. Although a new firm might find it difficult to enter the market, a financially sound bank, even one of modest size, could obtain the right to offer a MasterCard or a Visa card from the present companies with little difficulty. If the bank wanted to leave the field, there would be a ready market to sell its accounts to other credit card suppliers. Thus, it would seem that the credit card industry meets most of the characteristics for a perfectly competitive market.

1) With reference to the above given case, discuss the characteristics of perfect competition.
2) Discuss the short run equilibrium of a firm in perfect competition