



14-12-2015

DOON UNIVERSITY, DEHRADUN

End Semester Examination, 2015

School of Management

(MBA-2years I Semester)

Course: MBA 503 Managerial Economics

Time Allowed: 3 Hours

Maximum Marks: 50

(Note: Attempt all sections.)

Section A

(10)

Q. Case Study:

Gagan Pvt. Ltd. was established in 1995. The company started manufacturing of Water Geyser with a brand name of 'Ganga'. During initial 10 years, the company made good profits. But, its profits gradually declined due to competition from national brands. The promoters of the company had a committed team of workers who were constantly working on Research and Development. Finally, they came out in the year 2006, with an innovative product, named Maha Ganga which runs even at very low voltage and consumes less electricity. Thus, the company is monopoly manufacturer of 'Maha Ganga'. The company is currently supplying its products in geographically separated markets of Punjab and Haryana. The company is currently charging the same price in Punjab and Haryana. The Chief Economist of the company has informed the top management that price elasticity of demand at currently-charged price is Rs 3000 in Punjab and Rs 5000 in Haryana. The top management is planning to charge two different prices in Punjab and Haryana. In order to take more profits.

Questions:

(1) Will it be possible for the company to charge two different prices in Punjab and Haryana? If yes, under what conditions? Explain.

(2) Will it be profitable for the company to charge two different prices in Punjab and Haryana? - Explain.

Section B

*(2*5)*

Write short notes on the following:

1. Indifference curve
2. Law of Supply
3. Cardinal Utility
4. National Income
5. Income effect & substitution effect.