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I Semester M.B.A. (Day / Evening) Degree Examination, May/June - 2025

MANAGEMENT

Economics for Business Decisions

(CBCS Scheme 2019 Onwards)

Paper : 1.4

Time : 3 Hours **Maximum Marks : 70**

SECTION - A

Answer any **Five** from the following questions. Each carries **5** marks. **(5×5=25)**

1. Explain the concept of opportunity cost with a relevant managerial example.
2. Illustrate how elasticity of demand influences pricing decisions in a competitive market.
3. Apply the indifferent curve approach to determine consumer equilibrium.
4. Evaluate the impact of economies of scale on cost efficiency.
5. Describe the key phases of the business cycle and their impact on firm strategy.
6. Analyze the differences between short - run and long -run cost functions.
7. Primus Ltd. is a company that manufactures and sells electric bicycles. They are considering reducing the price of their bicycles to increase sales. The current price of one electric bicycle is $1,000, and the company sells 5,000 units per month. After conducting market research, the company estimates that if they reduce the price to $900, the quantity demanded will increase to 6,500 units per month. Calcualte the price elasticity of demand for Primus Ltd.'s electric bicycles.

SECTION - B

Answer any **Three** from the following questions. Each carries **10** marks. **(3×10=30)**

8. Compare and contrast the revenue curves under perfect and monopolistic competition.
9. Evaluate the impact of inflation and monetary policy on household and firm - level decisions.
10. Discuss how cost reduction is different from cost control strategies and also explain how it can lead to long - term profitability.

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11. With the help of the following data project the trend sales for the next five years :

Year	2019	2020	2021	2022	2023	2024
Sales (in Rs. lakhs)	100	120	140	150	170	190

SECTION - C

12. **Compulsory Case Study :** **(1×15=15)**

Bharti Airtel, one of India's largest telecom operators, operates in an oligopolistic market structure. With a few dominant players like Reliance Jio, Vodafone - Idea, and Airtel, the Indian telecom sector is highly competitive but also interdependent. In 2016, the entry of Reliance Jio with disruptive pricing significantly altered market dynamics. Airtel was forced to revise its pricing strategy, introduce more data - centric plans, and enhance its network infrastructure. While traditional economic theory would suggest that firms under oligopoly avoid price wars, the Indian market witnessed an aggressive battle that pushed smaller players out. Airtel responded by adopting non - price competition techniques, such as improving customer service, launching bundled services, and investing in 5G readiness. Despite the high capital expenditure, Airtel continued to maintain profitability through cost optimization and better spectrum management. The price rigidity and kinked demand curve theory were evident as firms hesitated to increase prices due to the fear of losing market share. Eventually, the industry moved toward a duopolistic nature dominated by Airtel and Jio. Regulatory interventions, spectrum auctions, and government policies continue to play a crucial role in shaping this market.

Questions :

a. How does the kinked demand curve theory explain Airtel's pricing behavior in the face of competition?

b. What non - price competition strategies did Airtel use to maintain market share?

c. How does the Indian telecom industry reflect the features of an oligopoly?

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