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I Semester M.B.A(Day & Eve) Degree Examination June/July- 2024

MANAGEMENT

Economics for Business Decisions

(CBCS Scheme - 2019 Onwards)

Paper : 1.4

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

SECTION - A

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

1. How do fiscal policies, such as changes in government spending and taxation, influence inflationary trends?
2. Explain the difference between Gross Domestic Product (GDP) and Gross National Product (GNP).
3. Explain various factors that influence the elasticity of demand.
4. What strategies can domestic industries employ to protect themselves against the adverse effects of dumping?
5. Discuss the difference between short-run and long-run cost functions in the context of economies of scale.
6. Explain the concept of Production Possibility Curve.
7. A company has the following records of sales. Estimate the sales for 2022.

Years	2015	2016	2017	2018	2019	2020
Sales	600	614	656	680	762	884

SECTION - B

Answer **any Three** questions from the following each question carries **10** marks.

(3×10=30)

8. Explain the producer's equilibrium position with the help of isoquant curves.
9. Explain the price determination and firm equilibrium in Monoplastic market structure.

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10. Discuss the relationship between total utility and marginal utility. How does the consumption of additional unit of a product impact the total utility and marginal utility of the consumer?

11. Write short notes on:

a) Skimming and penetration pricing strategy.

b) Peak load pricing strategy.

SECTION - C

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

Springfield Valley is a rural region known for its fertile land and favorable climate for wheat farming. The local wheat market operates under conditions that closely approximate perfect competition: there are several small-scale farmers, each producing an identical type of wheat, and no single farmer has the market power to influence the price. The market price of wheat is determined purely by the forces of supply and demand. Farmers in Springfield Valley are price takers, selling their wheat at the prevailing market price. In recent years, Springfield Valley has faced several economic challenges. The cost of farming inputs such as seeds, fertilizers, and machinery has increased, putting pressure on the farmer's profit margins. Additionally, a severe drought last year significantly reduced wheat yields, enhancing the financial strain on the farming community.

In response to these challenges, the government has introduced a subsidy program aimed at supporting the farmers and stabilizing the wheat market. Under this program, farmers receive a direct payment for each unit of wheat they produce, effectively lowering their production costs. With the introduction of the subsidy, farmers in Springfield Valley have increased their wheat production. The subsidy has incentivized not only existing farmers to produce more but has also attracted new entrants into the market. Eventually, the market supply curve for wheat has shifted to the right, leading to changes in the equilibrium price and quantity. The increased supply of wheat has driven the market price down. Consumers benefit from lower prices and increased availability of wheat and wheat products. However, the increased production has led to some unintended consequences. While the subsidy has temporarily boosted farmer's incomes, the surge of new farmers and the expanded production have created concerns about long-term sustainability and market efficiency.

Questions:

a) How does the concept of perfect competition explain the pricing and production behaviour of farmers in Springfield Valley?

b) How does the subsidy program affect the production costs for farmers in Springfield Valley?

c) What are the potential long-term consequences of the subsidy program on market sustainability and efficiency?