

**MANAGEMENT PROGRAMME
(MP)**

**Term-End Examination
December, 2020**

MS-09 : MANAGERIAL ECONOMICS

Time : 3 Hours

Maximum Marks : 100

Note : *There are two Sections—Section A and Section B. Attempt any **three** questions from Section A. Section B is compulsory. All questions carry equal marks.*

Section—A

1. What is the fundamental nature of Managerial Economics ? Discuss.
2. List the basic techniques involved in decision-making. Explain any *two* of these techniques.
3. What do you understand by a demand function ? List and explain the impact of any *five* variables on the demand function.

4. Differentiate between Accounting Costs and Economic Costs. Support your answer with suitable examples.
5. How is the evaluation of monopoly done ? Explain.

Section—B

6. Read the following case situation and answer the questions given at the end :

Increased Prices for Drinks

In 2010 the government's main medical adviser drew up plans for a minimum price for alcohol intended to double the cost of some drinks.

Under the proposal no drinks could be sold for less than 50 pence per unit of alcohol they contain. This would mean most bottles of wine could not be sold for under £ 4.50. The proposal is aimed at reducing alcohol abuse. A spokesman for an opposition party said that it was more important to deal with peoples' attitudes and not just the price of alcohol. The Portman Group, set up by drinks manufacturers to promote sensible drinking, argues that it would damage the majority of drinkers who behave responsibly in terms of their consumption.

The NHS bill for alcohol abuse is an estimated £ 2.7 bn a year. Recent figures show hospital admissions linked to alcohol use have more than doubled in England since 1995. Alcohol was the main or secondary cause of 207,800 NHS admissions in 2006/07, compared to 93,500 in 1995/96. The number of alcohol-related deaths in England has doubled since the early 1990s to nearly 9,000 a year.

Questions :

- (a) What sort of product is alcohol in economic terms if the government wants to restrict consumption of it ?
 - (b) Analyze the social costs of alcohol consumption.
 - (c) Analyze the factors that would determine the impact of a price increase on the consumption of alcohol.
 - (d) Is introducing a minimum price a better way of reducing consumption than trying to change peoples' attitudes ?
7. Read the following case situation and answer the questions given at the end :

Social Media-S

Firms in India are losing productivity because of Social Media-S. Office staff are spending too

long on the social networking site. According to The Associated Chambers of Commerce and Industry (Assocham) employees use different social networking sites for “romancing” and other purposes. On average, employees spend an hour a day on sites like Social Media-S. This reduces productivity by 12.5%. Nearly half of office employees accessed Social Media-S during work time. Some 83% saw nothing wrong in surfing at work during office hours. In September, 2009 Portsmouth City Council in England banned staff from accessing Social Media-S on its computers when it was discovered that they spent, on average, 400 hours on the site every month.

Questions :

- (i) What is meant by productivity ?
- (ii) Analyze the impact of a fall in productivity on costs.
- (iii) Analyze the possible consequences for businesses in India of banning access to Social Media-S and other social networking sites.
- (iv) Do you think access should be denied ?