MANAGEMENT PROGRAMME
Term-End Examination
June, 2021

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 basic objective of a firm ? Explain with the help of examples.

2. How is a decision taken under risk ? Explain.

3. Describe the relationship of Price Elasticity with that of Revenue.

4. Explain different types of statistical analysis used for the estimation of production function.

5. Differentiate between Peak-load Pricing and Bundling.

SECTION B

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

Additional case study : Monopolies

Many European governments are reluctant to allow online betting in an attempt to protect their national gambling businesses. A recent study found that seven countries out of the 27 in the European Union banned online gambling. Of the other 20, only 13 have opened their markets to competition; in the rest, gambling is dominated by monopolies owned or licensed by the government. In the Netherlands, for example, residents can only place online bets with a State monopoly, De Lotto. The Ministry of Justice even warned banks in the country that they could be prosecuted if they transferred money to online

gambling companies. Other countries have ordered online betting companies to block access to their sites. Their governments argue that this is to protect people from gambling excessively. However, the revenue they gain from their own monopolies should not be ignored as a possible motive.

Questions :

(a) If governments believe that gambling is bad for their citizens, then in economic terms, how would you classify this service ?

(b) Why might governments want to protect their own monopolies in the gambling sector ?

(c) What might be the effect of greater competition in the gambling industry in these countries ?

(d) Should governments promote gambling ? Discuss.

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

Additional case study : Government intervention

The price of raw sugar recently reached its highest level since 2011 due to problems with supply. Historically, raw sugar has traded at between 10 and 12 US cents per pound at the New York Board of Trade. But the price increased to over 18 cents last month.

Growing demand in Brazil for sugar to be turned into ethanol for fuel, coupled with a sharp fall in Indian production have both been factors in the price increase.

Sugar production in India for 2014-15 fell 45% year-on-year due to less rain in the monsoon season damaging a number of agricultural crops.

The London-based International Sugar Organisation predicts that global consumption of sugar is likely to outstrip production by 9 m tonnes next year, forcing food companies and governments to dig into stockpiles. In the US, snack producers including Mars, Nestlé and Krispy Kreme Doughnuts put pressure on the US government to relax import controls, warning that otherwise they might run out of sugar.

Commentators predict that most shoppers will be unaffected because sugar is such a small part of a consumer's typical spending in a week that no one will notice an increase in price.

Questions :

(a) Explain, using supply and demand analysis, why the price of sugar has been increasing recently.

(b)   Do you think (i) the supply, and (ii) the demand for sugar is price elastic or inelastic ? Justify your choices and explain whether this means any given change in supply or demand will have a bigger effect on the equilibrium price of quantity.

(c)   In what ways is the market for sugar used in confectionery related to the market for ethanol ?

(d)   How might companies such as Mars and Nestlé react to an increase in the price of sugar ?

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