

Roll No.

11442

M.B.A. 2 Year 1st Semester(Old)

Examination–December, 2011

Managerial Economics

Paper-2102

Time : 3 hours

Max. Marks : 70

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard will be entertained after the examination.

Note : Attempt **four** questions from Section-A, selecting at least **one** question from each unit. Section-B (Case Study) is **compulsory**. All questions carry **equal** marks.

Section-A

Unit-I

1. "Managerial Economics may be defined as the study of the allocation of scarce

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resources among competing ends".
Examine the statement.

- 2.** Discuss the relationship between price elasticity and managerial revenue.

Unit-II

- 3.** Write short notes on :
- (a) Law of return
 - (b) Engineering cost curves.
- 4.** Explain the Baumol's sales maximization model.

Unit-III

- 5.** Explain the following :
- (a) Multi-product firms
 - (b) Peak load pricing
 - (c) Cartel behaviour.
- 6.** What do you understand by transfer pricing ? Why is it a main concern for modern large-scale enterprise ?

Unit-IV

7. What are the factors that determine the effectiveness of business cycle ?
8. Define inflation. Discuss the role of inflation during inflation and deflation.

Section-B

Case Study

9. MITSUI STEEL PLANT

Mitsui & Co., the \$6 billion Japanese conglomerate, is keen to set up a five million tonne steel plant in Orissa. "We are now exploring the possibilities and gathering information on the prospects of putting up a steel plant here, before coming out with a concrete proposal", said Takao Miyachi, chairman, Mitsui & Co. India Pvt Ltd. He said, the most significant aspect of the proposed venture is that for the first time in the country, it will use the latest technology developed by an associate company of Mitsui, which uses non-coking coal for production of steel. His technology will not only help the venture to overcome the crisis faced

by the steel industry due to short supply of coking coal, but also is very cost effective.

Mitsui already owns a chunk of mining lease in Orissa through its Indian subsidiary Sesa Goa Ltd. (in which the Japanese company has 51 per cent stake) at Thakurani sector in Keonjhar district. Orissa has one of the richest iron ore reserves in the country which account for a major share of the cost of production of steel.


Though, Miyachi did not specify the cost of the project saying it is still in an exploratory stage, he hinted that the cost could be less than the present industry standard of Rs.2,000 crore per tonne of steel because of the use of new technologies. Striking a cautious note, Miyachi remarked that Mitsui does not want to join the current rush by various domestic and international steel majors to set up steel projects in Orissa. It will wait and watch and ascertain the atmosphere here before making the move. Besides, steel industry being cyclic in nature, we have to see there is enough

demand for the product when the new project comes up, he added.

However, globally one of the key business areas of Mitsui is iron and steel production and raw material trading. The expansion of capacities and volume of business has a priority of place in the company's goal of attaining 100 billion yen income mark within the next two years.

Among other international players, BHP Billiton is also planning an investment of Rs.7,000 crore in the state for mining and production of steel among other things. South Korean steel giant Posco is also in talks with the Orissa government to setup a 3 million tonne plant in Orissa. Non-ferrous metals major Vedanta Resources — holding company of Sterlite Industries, has also lined up an investment of Rs.12,500 crore to set up a 5 million tonne steel plant in the state, along with development of iron ore mines. Meanwhile, Tata Steel, the country's largest private sector steel company, has also announced a plan to setup a 6 million tonne steel plant in Orissa. The

company has envisaged an investment of around Rs.15,000 crore for this project.



Why are so many major international steel manufacturers planning to set up steel plants in Orissa ? Analyze the production function for steel and critically comment on the production strategy as envisaged by Mitsui & Co.
