

Roll No. ....

**11442**

**MBA 2 Year (Ist Semester) (Old)**

**Examination – December, 2012**

**MANAGERIAL ECONOMIC**

**Paper : 2102**

**Time : Three Hours]**

**[M.M. : 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 examination.*

**Note:** Attempt four questions from Section-A (one from each unit). Section-B is compulsory. All questions carry equal marks.

**SECTION – A**

**UNIT – I**

1. Define elasticity of Demand. Discuss the importance of elasticities of demand.
2. What are different types of forecasting methods ?  
How can the firm determine the most suitable forecasting method to use ?

## UNIT – II

3. Explain Baumol's theory of Sales revenue maximization ? In what way is this theory Superior to the Conventional theory based on profit maximization hypothesis ?
4. Explain the following :
  - (a) technological charge
  - (b) revenue curve of a firm.

## UNIT – III

5. What is transfer pricing ? How is transfer price determined if (i) There's no external market for transfer product (ii) there is external market for it.
6. Short notes on :
  - (a) dumping analysis
  - (b) game theory
  - (c) multi-product firm.

## UNIT – IV

7. Explain the process of locational choice of a firm.
8. Define business cycle and discuss the role of business cycle during inflation and deflation.

## SECTION – B


### (Case Study)

#### 9. Case 10.1 Accura Factor

With sales of over 1-million wristwatches, Accura claims to be the number three brand in India. It is now looking at the world as its market. A deal with Walmart as a supplier is in the offing and it is talking to several European giants too. The promoters of the company are confident that they can give Chinese manufacturers, known to have cracked the low-cost timepiece game, a run for their money. They might also be talking to a few designers to put out an array of watches and clocks.

The Company manufactures only wristwatches. It has an export market for its wristwatches spread over the different parts of United States of America, United Kingdom and Europe, besides being present in some parts of Brazil and Japan. Quality was probably the most important factor in making the company's product well accepted in the overseas market in a short span of less than five years. The wristwatches that are exported are of superior quality and each requires 2 labour hours and 4 machine hours for its manufacturing.

Even in the domestic market, the company has done remarkably well by reaching upto the number three position. Accura has already captured a big slice of the



Indian market with a market share of 20 per cent. The resource requirement for the domestic product is different from the export quality wristwatches, the labour and machine hours being 3 each. The growing market share is already creating expansion possibilities in the minds of the promoters as it will not be far when the company will find it difficult to keep up pace with its existing manufacturing capacity of 1,00,000 wristwatches. At this capacity the company has a maximum of 60 labour hours and 96 machine hours available for the manufacturing of wristwatches.

With the given set up the company wishes to maximize its profits, while maintaining the best possible market mix. It has a pricing policy, which keeps a constant mark-up for its wristwatches in the two different markets that it operates in. If the per unit profit in the export and domestic market is Rs. 40 and Rs. 35 respectively, Suggest the profit maximizing market mix for the company.