Total No. of Questions : 17

MBA/MBA(IB) (2019 & Onwards) (Sem.–1)
MANAGERIAL ECONOMICS
Subject Code : MBA-102-18
M.Code : 75403

Time : 3 Hrs.   **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.**
2. **SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.**

SECTION-A

Answer briefly :

1. What is cross elasticity?

2. What is managerial economics?

3. What is an Isoquant?

4. What is real interest rate?

5. What is aggregate demand?

6. What is investment multiplier?

7. What is Inflation?

8. What is recession?

SECTION-B

UNIT-I

9. Explain the relationship of managerial economics with other disciplines.

10. What are the important determinants of demand?

UNIT-II

11. Explain in detail returns to scale.

12. Explain the relationship between cost and production function.

UNIT-III

13. Explain price leadership model of oligopoly.

14. What are the assumptions of perfect competition?

UNIT-IV

15. Briefly explain the different methods of measurement of national income.

16. Explain saving and investment function.

SECTION-C

17. **Case study :**

Founded in 2009 by Travis Kalanick, Uber provides transportation service in U.S., European, and Asian cities. In the year 2014, its gross revenues were $2.957 billion, net revenue after commissions and incentives, $495 million, cost of revenue, $400 million, operating expenses, $661 million, for EBIT of $565 million. The original Uber model of operations was for the driver to use her/his own vehicle and offer services as and when they liked. The Uber webpage to drivers emphasizes, "Drive your own car using the Uber Partner app to find riders in your area. Set your own schedule. Get paid weekly." More recently, Uber has arranged for drivers to rent cars so as to provide Uber services. Uber clients book and pay for rides through the smartphone. After each ride, the Uber client rates the driver on a scale from 1 to 5. If a driver's rating falls below a particular level, Uber discontinues her/him from offering the service. Uber also allows drivers to rate clients. In January 2015, Uber extended fare cuts from the largest U.S. markets to 48 more cities. Uber asserted that the lower fares would benefit clients and drivers: "with the increased demand, drivers' income goes up as well. More demand turns into significantly more efficiency for the driver, more trips for every hour, and more earnings for every hour on the road". By contrast with Uber, whose drivers provide service with private cars, the Chinese services, Didi Dache (backed by Tencent) and Kuai Di Dache (backed by Alibaba) are smartphone-based applications to book taxis. In 2015, faced with competition from Uber (backed by search engine Baidu), Didi Dache and Kuai Di Dache merged. Following the merger, they continue to operate as separate services.

Question :

(a) What economic inefficiencies does the original Uber operating model exploit? How does your answer change for drivers who rent cars to provide Uber services? Compare the economic inefficiencies addressed by Uber vis-á-vis Didi Dache.

(b) What economic concept relates a cut in prices to an increase in demand? Explain how to use this concept to calculate the change in revenue from a 1% cut in prices. In Chicago, the reduction of fares by 23% led to 12% increase in revenue. What do these data imply about the concept in (b)?

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.