GL BAJAJ
Institute of Management & Research
Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No…………

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.)–201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2019-21)
MID TERM EXAMINATIONS (TERM -II)

Subject Name - **Managerial Economics**	Time: **01.30 hrs**
Sub. Code – **PG13**	Max Marks: **20**

Note:
1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.
2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study of 8 marks. Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.

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SECTION - A   **04+04 = 08 Marks**

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Q. 1: Case Study:

The Global Super Market

The New Economic Policy (NEP) of 1991-1992 brought about a 181 degree turnaround in our economic policy. Till the 1980' India followed the policy of 'Import substitution' .The government encouraged the production of substitute domestic goods in order to save precious foreign exchange. The result as we all know was inefficient domestic, monopolistic or oligopolistic companies. The NEP of 1991-1992 aimed at earning more foreign exchange by relying more and more on other countries in terms of export, investment etc.Policy makers and economist realized that an outward looking policy or the policy of export promotion was better than that of import substitution in terms of earning foreign exchange with a spirit of healthy competition among firms that discouraged inefficiency and uncompetitiveness.

One of the biggest advantages of an 'open-door policy's that consumers have a wide variety of choice for the same product .The degree of substitution, in other words, among various kinds of the same product is very high in truly globalized market. One can choose anything from a pin to a penthouse and costumes to cars from a domestically produced commodity to one produced through collaboration and a fully foreign manufactured and imported product.

The consumer has become the king in the buyer's market from a basic food items like rice, wheat to highly specialized machinery, substitution between goods, domestically produced and those produced abroad has become very high. The degree of substitution for the some products is almost perfect. The result is that the consumers is king .A slight price differentiation results in a huge shift in the demand for a product. Under this situation, product differentiation and niche marketing are often more powerful than price leadership as a marketing strategy, especially for those products which have a high price and income elasticity.

Thus in this new global supermarket, there is plenty of choice for the consumer- between identical as well as similar products. The trend of this high level of substitutability and subtle product differentiation is more prevalent for products targeted at the young, upwardly mobile and urban population. A middle –aged, middle –class Maharashtrain housewife will have a different taste and preferences when compared to a middle-aged, Middle –class Bengali housewife.However.more often than not, one can find a teenager in a posh locality of Mumbai eating a McDonald burger, wearing Levis and listening to Ricky Martin just like her counterpart in Kolkata.

(i) How does the global supermarket affect producers in terms of elasticity (Price, income as well as substitution) of demand?
(ii) What will a rational consumer prefer – a local market or a global supermarket? Give reasons

SECTION – B   **02×03 = 06 Marks**

Q. 2: Is it necessary for managers to study about managerial economics and its relevance in today's scenario. Comment on the statement.

Q. 3: For a long run sales maximization is good for the companies – put your thoughts with examples.

Q. 4: Explain by taking an example the concept of price and income elasticity?

SECTION – C   **03×02 = 06 Marks**

Q.5. Demand forecasting plays a vital role in the corporate world for any managers to predict their future sales, growth of the company, losses etc. Critically examine the statement and put your views on survey method.

Q. 6. Variable cost and fixed Cost are similar in nature, examine the statement with examples.