Subject	Managerial Economics (ME 01)		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages		Date	09-12-2014

Note: Q1 is COMPULSORY and solve any FOUR from the remaining SIX.

Q1) 20 marks (compulsory)

Usually air travel is considered to be a luxury for the common man. .The CEO of Southwest Airline, Herb Keller, long time back in 1972,held a view contrary to the belief that the air travels are meant mostly for the well to do and executive class. He sought to make air travel affordable and accessible to ordinary people.

The U.S. Civil Aeronautics Board had prescribed regulations for all inter-state fares for air lines in the USA. The Southwest Airlines came out as an inter-state airline with a bargain fare in Texas covering Dallas Huston and San Antonia. Only one class seating was provided without any frill services. Simple cash receipts and reasonable plastic boarding passes were used for cost economy. The customers responded remarkably well to the low price air travel.

Jet Blue, a new air line, in 2002, entered into the US air travel market. It also followed the Southwest Airlines business model, but with a larger aircraft. Within two year time, it had 27 Airbus A320 planes for the travel network covering 19 cities.

Recently in Malaysia, as against a well established and government supported Malaysia Airlines the new private airline company called Air Asia, came out on the Southwest model, offering budget fare in selected centers and gradually extended up to Bangkok in Thailand, and Jakarta, Surabaya and other destinations in Indonesia. Air Asia's advertising slogan is "Now Every One Can Fly".

a) How do you analyze air travel in terms of price, income, cross and promotional elasticities of demand?
b) Discuss the type of demand elasticity revealed by the above case.
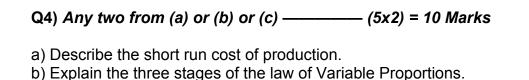c) Discuss a similar case of success of cheap air travel in India in recent years.

Attempt Any FOUR from the Remaining SIX Questions

Q2) *Any two from (a) or (b) or (c)* ——————— *(5x2) = 10 Marks*

a) Explain the nature of Managerial Economics.
b) What is meant by the Opportunity cost?
c) What do you understand by the concept of "average" and "marginal"?

Q3) *Any two from (a) or (b) or (c)* ——————— *(5x2) = 10 Marks*

a) Explain the concept of elasticity of demand.
b) Find the price elasticity of demand when demand changes by 100,000 per cent as price changes from Rs. 10/ per unit to Rs. 10.001 per unit. What type of market does this example correspond to?
c) Describe various methods of business forecasting.

Q4) *Any two from (a) or (b) or (c)* ————— *(5x2) = 10 Marks*

a) Describe the short run cost of production.
b) Explain the three stages of the law of Variable Proportions.
c) Describe the economies and diseconomies of large scale production.

Q5) *Any two from (a) or (b) or (c)* ————— *(5x2) = 10 Marks*

a) Define Production Function and state its assumptions.
b) Distinguish between Oligopoly and Monopolistic Competition.
c) Define Monopoly Power and explain Lerner's formula to measure it.

Q6) *Any two from (a) or (b) or (c)* ————— *(5x2) = 10 Marks*

a) Define Break even analysis. What are its objectives?
b) What is meant by profit management?
c) Describe the factors affecting pricing of a product.

Q7) *Any two from (a) or (b) or (c)* ————— *(5x2) = 10 Marks*

a) Define capital budgeting. Describe the factors involved in capital budgeting.
b) Describe the phases of a typical business cycle.
c) Discuss the NPV method of project evaluation.