1M6104

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M. B. A. (Sem. I) (Main/Back) Examination, February - 2009
Managerial Economics (M-104)

Time : 3 Hours] [Total Marks : 70
[Min. Passing Marks : 28

The question Paper is divided in two Sections. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based one question which is compulsory. All questions are carrying equal marks.

Use of following supporting material is permitted during examination.

(Mentioned in form No. 205)

SECTION - A

1 "Managerial economics can be viewed as an application of that part of macroeconomics that focuses on risk, demand, production, cost, pricing and market structure". Explain role and responsibility of a managerial economist in light of the statement.

2 Explain concept of consumer's surplus with help of indifference curves technique. What is the relevance of such concept in business situations ?

3 Explain the concept of price-discrimination, its possibility, its profitability when :

(a) Monopolist has total control in two markets having different elasticity of demand

(b) He is monopolist in one market and a competitor in international market.

4 How a dominant firm determines output under oligopoly with a leftover for small firms under imperfect collusion ? Give names of five oligopolist firms in India.

5 Explain concept of double counting which is avoided while calculating National Income of any country. How GNP, NNP, N1, P1, D1 are calculated ?

6 Write short notes on any four :
(i) Economic profit
(ii) Perfectly inelastic demand
(iii) Opportunity cost
(iv) Make or Buy decision
(v) Non-price competition
(vi) Demand-Pull inflation.

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SECTION - B

(Compulsory)

(5 Marks will be deducted if Section - B is not answered)

FISCAL POLICY

Fiscal Policy means policy relating to public revenue and public expenditure and allied matters thereof. A large part of public revenue is generated from taxation.

Tools of fiscal policy are numerous, i.e., Budget, taxation, public debts and deficit financing. Fiscal policy aims at accelerating pace of economic development, minimising in equalities of income and wealth checking business cycles and inflation / deflation and increasing employment opportunities.

Fiscal policy in India has a multi-dimensional role. India has used various tools of fiscal policy to achieve socio-economic goals. Income Tax, wealth tax are direct but VAT, Custom Duty, Excise Duty are indirect taxes. Fiscal policy in India could not improve tax structure, and black money was generated as a parallel economy. Indian tax system is inflexible. Simplification of tax system has been recommended by Boothalingam committee and Chelliah committee. Chelliah committee on Tax Reforms suggested many measures for making tax system simpler. Parthasarthy committee in 2001 recommended tax reforms for the Tenth plan. Mr. Vijay Kelkar recommended measures for simplification and rationalisation of direct and indirect taxes. A fiscal responsibility and Budget Management (Amended) Act was passed in 2003.

The union Budget under Fiscal Policy is presented every year. It has two parts namely Revenue Budget and Capital Budget, In India normally we have deficit budget. Budget deficit is increasing from plan to plan. The immediate task for the government is to check the fiscal imbalances in country.

Answer the following questions :

(1) What are the main tools of fiscal policy in India ?

(2) Explain how tax administration has failed in India to unearth black money.

(3) How inequalities of income may be reduced ?

(4) How cost-push inflation can be checked ?

(5) Highlight main recommendation of Chelliah committee on Tax reforms.

(6) What is the difference between Revenue deficit and capital deficit in union budget ?

(7) Outline items of receipts and expenditure in Union Budget.

7×2=14