AJEENKYA
D Y PATIL UNIVERSITY

End Term Examination (December 2019)

School: School of Management **Program: MBA -BIS/MAC**

Course: Managerial Economics **Course Code: MGT502**

Semester: I **Max Marks: 60** **Duration: 2½ hours**

Instructions to the candidates:

1) ***All Questions are compulsory***
2) ***Paper is in Two section (A and B), Internal option is given in Section A***
3) ***Marks for each questions are indicated in brackets***

Section A

Solve any 4 (four) questions from the following: **[4*10=40]**

Q.1. Managerial Economics helps in decision making in the framework of uncertainty and scarcity of resources. Explain the statement with the help of suitable example.

Q.2. Suppose there is a sudden increase in preference of Chocolates but the cost of productions rises due to the rise in the price of milk. Use a demand supply model to determine what happens to the equilibrium price and quantity in this case.

Q.3 Assume the marginal product of the 7^{th} worker hired by a firm is less than marginal product of the 6^{th} worker. Does it mean that the average product of the 7^{th} worker is less than the average product of the first 6 workers? (Make necessary assumptions).

Q.4. In market economies, there are a variety of different market systems that exist, depending on the industry and the companies within that industry. Describe the various types of markets with suitable examples.

Q.5. Describe the product life cycle based pricing for (a) FMCG Product and (b) Durable Product

Q.6. Suppose there are two ice cream producers and each firm can produce a high as well as a low quality product. The payoff matrix which indicates the profits for the two firms is given below:

		Firm B	
		High	Low
	High	40,40	60,45
Firm A	Low	50,70	30,30

i. What is the Nash Equilibrium in this case?

ii. If both the firms followed a maxi-min strategy what would be the outcome?

Section B

Case Study : Multiplex pricing **[1*20 = 20]**

Multiplex business has gained steady momentum in India. Ticket prices in such multiplexes are adjusted in accordance with the movie, time of the day and day of the week. Hit movies on a weekend or a holiday are charged maximum, while during weekdays, when prices are kept lower, the benefit goes to the audience. Besides taking over the metros, these multiplexes have undertaken the risk of broadening their network to non-metros. But the game in the non-metros is slightly different from that in metro. The profit margin is slightly different in non-metros, classified according to the affordability factor, taste and preferences. During weekdays, the prices of the ticket vary from ₹ 150 - ₹ 200 in metros and soar up during the weekends making the tickets available at ₹200 - ₹250. The morning shows are priced at ₹60, ₹80 or ₹100 attracting the school or college students. The price of tickets in non-metros varies from ₹80 - ₹100 during a week. “Customers in these towns would not have the capacity to pay upwards of ₹100 for a ticket, hence we have entered these towns under separate brand name of PVR Talkies” says Ashish Shukla, Chief executive officer, PVR Talkies.

Questions:

1. What type of pricing strategy is adopted in the case of Multiplexes? Evaluate on the basis of various pricing categories.
2. Is this price discrimination or flexible pricing? Explain
3. Evaluate the objective of Multiplexes on the basis of their pricing strategy

*******ALL THE BEST*******