INDIRA UNIVERSITY, PUNE

SET-2

SCHOOL OF BUSINESS- MBA

Backlog Examination (2025 Pattern) April – 2026 - Semester – I

Subject Name: Managerial Economics **Max. Marks: 25**
Subject Code: 25MBA106 **Time: 1.30 Hours**

CO #	Cognitive Ability	Course Outcome
CO3	**Apply**	Apply various economic concepts for business decisions.
CO4	**Analyze**	Analyze Cost function, Production function and Competition.
CO5	**Evaluate**	Evaluate the effect of macro-economic environment on business.
CO6	**Create**	Evaluate the impact of micro-economic factors on business.

Q1.	**Attempt any 1 out of 2 Questions** **(5 Marks)** A) A software company has costs like office rent and salaries (fixed costs) and costs for cloud server usage that increase with each new customer (variable costs). Apply the distinction between fixed and variable costs to explain how the company's total costs change as its customer base grows. OR B) A firm notices that when the price of its product rises from ₹20 to ₹25 per unit, it supplies 500 more units to the market. Apply your understanding of supply theory to explain whether this represents an extension or increase in supply. Give reasons for your answer.	CO3
Q.2	**Attempt any 1 out of 2 Questions** **(5 Marks)** A) Dissect the relationship between Average Revenue and Marginal Revenue under Monopoly and Perfect Competition, and distinguish how pricing decisions differ between these markets. OR **B)** Simplify the concepts of economies and diseconomies of scale. Explain how these concepts affect the size of a firm and its operational efficiency. Support your answer with examples to show why a firm may benefit from increasing production up to a certain point and face disadvantages beyond that."	CO4
Q.3	**Attempt any 1 out of 2 Questions** **(5 Marks)** A) Assess how inflation influences a business's operational decisions, and justify how adjusting pricing and production strategies can help maintain profitability during periods of rising inflation.	CO5

	OR B) Critically evaluate how macroeconomic indicators help managers forecast market trends and make long-term strategic decisions.	
Q.4	**Attempt the questions.** Case Study: **AutoPro's Strategic Choice** AutoPro is a car company that has been making gasoline-powered cars for over 30 years.It has a loyal customer base and has built its factory, employees, and suppliers around producing traditional cars. For decades, this strategy has been profitable and predictable. Recently, the government introduced new policies to encourage electric vehicles (EVs). These include big subsidies for EV production, tax benefits for buyers, and investment in charging stations. At the same time, the government imposed a "green tax" on every gasoline-powered car sold, making them more expensive to produce and sell. AutoPro now faces an important decision. The company has only one factory and a fixed budget for the next five years. Management must decide whether to continue making only gasoline cars, switch completely to EVs, or produce a mix of both. If AutoPro continues with gasoline cars, it keeps using its current skills and equipment but will face higher taxes and possibly lower sales as customers move toward EVs. Switching fully to EVs could take advantage of government support and future market growth, but it will require new technology, retraining workers, and changing the factory. Producing both types of cars could balance old and new products, but it may make operations more complicated and harder to focus. The choice AutoPro makes will affect profits, competitiveness, and its long-term future. Management must weigh short-term costs against long-term benefits, consider market trends, and plan for changes in technology and customer preferences. This situation shows the challenges a traditional company faces when the industry shifts toward more sustainable products. Here are the questions for the AutoPro case: **(10 Marks)** 1. Discuss which choice—making is favorable, only gasoline cars, only electric cars, or both—do you think is best for AutoPro, and why? 2. Elaborate your decision, do you think switching to electric cars is worth the cost and effort for AutoPro?	CO6

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