

INDIRA UNIVERSITY, PUNE

SCHOOL OF BUSINESS- MBA

SET-1

Term End Examination (2025 Pattern) December – 2025 - Semester – I

Subject Name: Managerial Economics
Subject Code: 25MBA106

Max. Marks: 25
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) Apply the law of supply to explain the following: Due to a new, more efficient manufacturing process, a smartphone company can produce phones at a lower cost. How this technological improvement will affect the company's supply curve and the market price. B) A company that manufactures cars relies on bank loans to finance its factory operations. The central bank decides to increase interest rates to manage the economy. As the manager, apply your understanding of interest rates to explain how this policy will affect your decision to expand the factory.	CO3
Q.2	Attempt any 1 out of 2 Questions (5 Marks) A) Categorize different types of costs (fixed, variable, implicit, and explicit) and classify them as either accounting or economic costs with suitable business examples. B) Examine the nature of monopolistic competition by discussing its key characteristics. Investigate how product differentiation and advertising affect a firm's pricing and output decisions, and their implications for short-run and long-run profits.	CO4
Q.3	Attempt any 1 out of 2 Questions (5 Marks) A) Assess the extent to which GDP growth influences business performance and investment decisions in emerging economies. B) Discuss the Phillips Curve relationship between inflation and unemployment. How does this influence government policy and business planning?	CO5

Q.4	<p>Attempt the questions: (Attempt both the subquestions given)</p> <p style="text-align: right;">(10 Marks)</p> <p>“The Credit Card Industry: Concentration or Perfect Competition?” In 1997, over \$700 billion in purchases were charged on credit cards in the United States, and this total was increasing at a rate of over 10% per year. At first glance, the credit card market seems concentrated because Visa, MasterCard, and American Express are the most familiar brands, and over 60% of all charges are made using one of these three cards. However, a closer look reveals a different picture. The credit card industry actually has over 6,000 institutions, mainly banks and credit unions, issuing cards to more than 90 million cardholders. This means that while Visa, MasterCard, and American Express are widely recognized, the cards themselves are issued by a large number of individual institutions. For example, one person’s Visa card may come from a credit union in Los Angeles, while a neighbor’s Visa card may come from a bank in Miami. Credit cards are also relatively homogeneous products. Most cards of the same brand are similar in appearance and can be used for the same purposes. Merchants rarely notice which bank issued a card, making the product largely interchangeable. Another feature of the market is the ease of entry and exit. Although starting a new bank might be challenging, a financially sound bank can easily obtain the right to issue Visa or MasterCard cards. If a bank wants to leave the market, it can sell its accounts to other credit card providers. Despite the appearance of concentration among a few well-known brands, the credit card industry exhibits most characteristics of a perfectly competitive market, including a large number of sellers, a homogeneous product, and the ease of market entry and exit.</p> <p>Questions:</p> <p>Q1. Elaborate why the credit card market may appear to be concentrated at first glance. Then discuss why, despite this appearance, it can be considered closer to a perfectly competitive market. Support your answer with examples from the case.</p> <p>Q2. Discuss and explain three characteristics of perfect competition that are present in the credit card industry. For each characteristic, give a specific example from the case to illustrate your point.</p>	CO6
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