

Enrollment No./Seat No.:

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER - I EXAMINATION - WINTER 2025

Subject Code: MB01095021

Date: 20-01-2026

Subject Name: Micro Economics

Time: 10:30 AM TO 01:30 PM

Total Marks: 70

Instructions

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**
- 4. USE of SIMPLE calculators AND non-programmable scientific calculators are permitted.**

	Marks
Q.1	14
(a) Opportunity cost	
(b) Sunk cost	
(c) Price Elasticity of Supply	
(d) Scarcity	
(e) Normal & Inferior goods	
(f) Micro Economics	
(g) Giffen goods	
Q.2 (a) Define Managerial Economics. Explain its nature and scope. How does it differ from traditional economics?	07
(b) Define 'Returns to Scale'. Explain various economies and dis-economies of scale with diagram.	07
OR	
(b) What is marginal product, and what does it mean if it is diminishing? Draw a production function that exhibits diminishing marginal product of labour.	07
Q.3 (a) What is elasticity of demand? Explain the different types of elasticity of demand?	07
(b) Construct a monthly supply schedule for pizza, and graph the implied supply curve. Identify the factors that would shift this supply curve and briefly explain your reasoning	07
OR	
(a) What is demand forecasting? Explain the steps in demand forecasting	07
(b) What is indifference curve? Explain main properties of an indifference curve. Draw an indifference curve for substitute goods.	07
Q.4 (a) What is monopolistic competition? What are its main characteristics? How is price determined under monopolistic competition?	07

- (b) Discuss the different methods of Pricing with suitable examples. 07

OR

- (a) Point out the main characteristics of Oligopoly. Explain the price and output determination process under price leadership in oligopoly 07

- (b) Discuss the new product pricing strategies with suitable examples. 07

Q.5 Imagine that you are the president of QuillQuest Publishing Company. QuillQuest's best-selling author has just written a new novel. Let's imagine that you pay the author \$2 million for the exclusive rights to publish the book. Also assume that the cost of printing the book is zero (as it would be, for example, for an e-book). QuillQuest's profit, therefore, is the revenue from selling the book minus the \$2 million it has paid to the author.

The marketing department has given you some estimates about demand. According to research, the book will attract two types of readers. The book will appeal to the author's 100,000 die-hard fans who are willing to pay as much as \$30. In addition, it will appeal to about 400,000 less enthusiastic readers who will pay up to \$5. Based on the given facts, answer the questions given below:

- (a) If QuillQuest charges a single price to all customers, what price maximizes profit? Explain. 07

- (b) Does QuillQuest's pricing decision cause a deadweight loss? Explain 07

OR

- (a) Suppose that the marketing department at QuillQuest makes a discovery: These two groups of readers are in separate markets. The die-hard fans live in Australia, and the other readers live in the United States. Moreover, it is hard for readers in one country to buy books in the other. In response to this discovery, can QuillQuest change its marketing strategy and increase profits? How? 07

- (b) Will the new strategy eliminate the deadweight loss inherent with monopoly pricing? Explain 07
