

MBA Sem.-1 (IBFT/DM) Examination

IBFT/DM-103

BEM

Time : 2-30 Hours]

February-2025

[Max. Marks : 70

Instructions:

- *Question no 1 to 5 carry 14 marks each.*
- *Question no. 1 is compulsory.*
- *In question 5, each of the question is of 2 marks each.*

Question 1

Explain the features of Monopoly Market and show what the TR, AR, MR curve look like under the same. Also, show how the short-run equilibrium is achieved under Monopoly.

Question 2

- i. What is Price Discrimination? When is Price Discrimination possible, profitable and socially desirable with the help of a diagram?

OR

- ii. Explain how the equilibrium is achieved by a price discriminating monopolist. Also, explain Dumping under Monopoly.

Question 3

Café "Brew Haven" has been operating in the city for the last two years and has built a loyal customer base due to its unique blend of organic coffee and cozy, quiet environment. However, recently, several new cafés with similar offerings have opened in the area, causing a noticeable decrease in the number of customers. As a result, Brew Haven's owner is considering adjusting prices and increasing marketing efforts to regain market share. The café's fixed costs remain constant, but variable costs, such as wages and ingredients, change with the level of output. Brew Haven currently operates at an output level where marginal cost equals marginal revenue, but the owner is unsure whether the firm is maximizing its profits.

Question:

Using the concepts of monopolistic competition, explain the following:

- i. What are the key characteristics of the monopolistic competition market structure that apply to Brew Haven's situation?
- ii. Under what conditions can Brew Haven maximize its profit in the short run? Discuss the role of marginal revenue and marginal cost in determining the profit-maximizing output.
- iii. What factors could influence Brew Haven's ability to maintain its profit-maximizing position in the long run, and how might the firm's pricing and output strategies need to adjust in response to new entrants in the market?
- iv. How does product differentiation impact Brew Haven's ability to sustain profitability, and what strategies could the café use to maintain a competitive edge?

OR

P.T.O.

Consider an oligopoly market where there are only a few firms, and each firm has a significant share of the market. One of the firms, "Firm X," is contemplating changing its price. The firm is aware that if it increases its price, its competitors will not follow suit, and it will lose a substantial portion of its customers. Conversely, if Firm X decreases its price, it anticipates that its competitors will quickly match the price cut, leading to minimal gain in market share but lower profits for all firms in the industry.

Using the concept of the kinked demand curve, answer the following:

- i. Explain how the kinked demand curve model applies to Firm X's pricing decision in this oligopoly market.
- ii. What would the firm's marginal revenue curve look like, and why does it have a discontinuity or "kink" in it?
- iii. How does the kinked demand curve model help explain the price stability often observed in oligopolistic markets, even when firms face changes in costs or demand?
- iv. What are the limitations of the kinked demand curve model in explaining pricing behaviour in real-world oligopolies?

Question 4-Case study based questions

"TechTrend Electronics" is considering different pricing policies to improve profitability. The firm has the option of adopting a penetration pricing strategy to attract customers quickly or a skimming pricing strategy to target high-end customers initially and gradually lower prices over time. Additionally, the firm needs to assess its break-even point to understand how many units need to be sold at each price point to cover both fixed and variable costs.

Answer the following:

- i. Describe two pricing policies (penetration pricing and skimming pricing) that "TechTrend Electronics" could adopt. How do these strategies differ, and under what market conditions might each be most effective?
- ii. Explain the concept of break-even analysis and how "TechTrend Electronics" can use this analysis to determine its break-even point.
- iii. Given the following information:
 - a. Fixed costs: \$100,000
 - b. Variable cost per unit: \$50
 - c. Selling price per unit (under the penetration pricing strategy): \$100
 - d. Selling price per unit (under the skimming pricing strategy): \$200
 Calculate the break-even point in units for both pricing strategies.

OR

Calculate the following:

- i. Fixed cost- 72000, variable cost per unit 12, selling cost per unit 24, calculate break even point in terms of units and sales and no of units that must be sold to achieve profit of 90000.
- ii. Fixed cost 90000, variable cost 9, selling price 12, calculate P/V ratio, Break even sales and Sales required to earn profit of 4,50,000.
- iii. Fixed cost 54000, variable cost 15, selling price 20, What should be the selling price per unit, if the break-even point should be brought down to 6,000 units?

Question 5-Explain the following in brief:

- i. Why is a firm under Perfect Competition called a 'Price Taker'?
- ii. What is the shape of demand curve under Perfect Competition?
- iii. What is First Degree Price Discrimination?
- iv. Explain Predatory Dumping in brief.
- v. What do you mean by kinked demand curve?
- vi. State any 4 assumptions of the break even analysis.
- vii. What are the objectives of the firm while formulating a pricing policy?