

IMBAAVT Sem.-7 Examination

IMBAAVT-133

Economic Analysis for Business Decisions

Time : 2.30 Hours]

December-2025

[Max.Marks : 70

Instructions:

- Figures to the right indicate Full Marks.
- Do not write anything on the question paper.

Q.1. Attempt any two of the following -**(14 Marks)**

- Cost benefit analysis.
- Accounting profit Vs. Economic profit
- Relationship of managerial economics with computer science
- Case Study: Eco-Essentials' Flawed Expansion Plan**

Eco-Essentials, a mid-sized company producing sustainable household cleaning products, has enjoyed steady but modest growth over the past decade. Seeking to accelerate growth, the CEO, Ananya, commissioned a market study to identify new opportunities. The economic analysis team, led by Akash, presented a report forecasting explosive sales growth in Tier-2 Indian cities over the next three years.

Akash's team based its forecast primarily on a single, highly optimistic data point: a recent government announcement of infrastructure development in these cities. They neglected to conduct a micro-economic analysis of consumer spending habits, local competition, or the logistical costs of penetrating these new markets. Based on this flawed analysis, Ananya secured significant investment and initiated a rapid, aggressive expansion, opening ten new retail outlets in Tier-2 cities within six months and launching a large-scale, nationwide marketing campaign.

Within a year, the company faced a severe crisis. Sales in the new outlets were far below projections, marketing costs had ballooned, and cash flow was draining quickly. The competition in these local markets was stronger than anticipated, and the target customers, while increasing in population, were not adopting the premium-priced products as quickly as the analysis had predicted.

Case Question

1. What specific economic analysis errors did Akash's team make regarding the objective of sales and growth?

Q.2. What is demand forecasting? Discuss the various methods of demand forecasting. (14 Marks)

OR

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Q.2. Discuss the functions of production and cost? Also, state the different types of production with examples. **(14 Marks)**

Q.3. Explain the significance of managerial economics with suitable examples. **(14 Marks)**

OR

Q.3. Discuss the common pricing practices followed in the industry with examples. **(14 Marks)**

Q.4.a) Discuss the key principles of profit management. **(7 Marks)**

b) Discuss the key concepts in entrepreneurship in managerial economics. **(7 Marks)**

OR

Q.4 a) What do you mean by circular flow of activity? Discuss the two Sector model of circular flow.

(7 Marks)

b) Evaluate profit maximization as business objective.

(7 Marks)

Q.5. Define the concept of Business Economics and provide a comprehensive analysis of its scope, illustrating how its core principles are applied within various functional areas of a modern enterprise to inform managerial decision-making. **(14 Marks)**
