140104

I Semester M.B.A. (Day & Evening) Degree Examination, April/May - 2026

MANAGEMENT

Economics for Managers

(CBCS Scheme 2025)

ACHARYA INSTITUTE OF GRADUATE STUDIES
LIBRARY
Date:
BANGALORE-107

Time : 3 Hours Maximum Marks : 70

SECTION - A

Answer any Five of the following questions. (5×5=25)

1. Explain the phenomenon of decreasing return to scale. Specify its reasons.
2. Briefly discuss the degrees of price discrimination with suitable examples.
3. Explain briefly the concept of carbon pricing with suitable example.
4. Explain briefly the components of measuring national income in digital economy.
5. Explain briefly the concept of production possibility curve.
6. Explain the role of startup eco-system and the economic development of a country.
7. The product price is increased from Rs. 20 to Rs. 30 per unit, due to that, quantity decreased from 1000 to 900 units. Determine the price elasticity of demand and whether the firm's decision to increase in price is right?

SECTION - B

Answer any Three of the following questions. (3×10=30)

8. "The Monetary Policy regulates the supply of money and the cost and availability of credit in the economy". Briefly explain this statement and explain various instruments of Monetary policy.
9. Explain the equilibrium of the firm in short run and long run under perfect competition. Also discuss various characteristics of the firm under perfect competition.
10. Write short notes on (any two)
    a) Incremental principle
    b) Dumping
    c) Nudge theory.
11. How does a firm succeed in securing the least cost combination of the factors of production. Explain with the help of Iso quants and Iso cost curves.

[P.T.O.

12. Case Study (Compulsory) **(1×15=15)**

India's telecom sector is dominated by a *few large firms* : Reliance Jio, Bharti Airtel, and Vodafone Idea. Together they serve almost the entire subscriber base of the country. Entry barriers are extremely high because a new firm would need :

- Government spectrum licenses (auctioned at very high prices)
- Nationwide tower infrastructure
- Massive capital expenditure (CAPEX)
- Regulatory compliance

Because only a few players exist and each firm's pricing decision directly affects the others, the market exhibits **strategic interdependence**. In 2016, Reliance Jio entered the market and introduced *free voice calls* and *very low-price data plans*. This disrupted the industry:

- Other operators had to immediately cut prices.
- Profit margins of incumbents collapsed.
- Several smaller telecom companies exited or merged.
- Eventually, the industry consolidated into just three dominant firms.

Today, firms no longer compete only on price. They compete on:

- Data speed (4G / 5G rollout)
- Network coverage
- Bundled services (OTT subscriptions, streaming apps)
- Customer lock-in plans (annual prepaid packs)

This behavior shows **non-price competition.**

Questions:

a) Explain which kind of market structure the telecom industry belongs to. Give at least three characteristics from the case to justify your answer.

b) When Reliance Jio reduced prices drastically, why were Airtel and Vodafone Idea forced to respond even if it reduced their profits? Explain using the concept of *interdependence.*

c) Why do firms in this market now focus more on 5G services, OTT bundles, and network quality instead of continuously lowering prices? Relate your answer to *non-price competition* and the *kinked demand curve* theory.