

Register No.: Name.:

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

FIRST SEMESTER MBA /MBA (Logistics and Supply Chain Management)

DEGREE EXAMINATION (R), DECEMBER 2023

(2021 Scheme)

Course Code : 21MBA107/ 23MBL107

Course Name: Business Economics

Max. Marks : 60

Duration: 3 Hours

PART A

(Answer all questions. Each question carries 2 marks)

1. What are the major challenges of fiscal policy of a country?
2. Explain the characteristics of perfect competition.
3. Define Law of supply .
4. Explain Giffen goods.
5. What is Equi-Marginal principle?

PART B

(Answer any 3 questions. Each question carries 10 marks)

6. Analyze how the Law of Variable Proportions when considering a production function with one variable input. What are the implications for returns to scale in such a scenario?
7. Examine the kinked demand curve model in oligopoly and explain how it affects pricing decisions among firms.
8. Inspect the concept of consumer equilibrium under ordinal utility analysis. How do indifference curves represent consumer preferences?
9. Elaborate Marginal rate of substitution with an example.
10. Examine various tools of monetary policy.

PART C

(Compulsory question, the question carries 20 marks)

11. Big price cuts on a wide range of medicines and vitamins were promised by the supermarket chains yesterday as 30 years of price-fixing were swept aside. Many popular products, including painkillers, cough medicines, indigestion tablets and nutritional supplements are being halved in price from last night, with reductions of between 20 and 40 per cent on many others. The Office of Fair Trading called it excellent news for consumers but the body representing small pharmacies said that many would close, threatening community services.
The big supermarkets trumpeted 'millions of pounds-worth of savings' as they competed to offer the biggest reductions. At Asda, a packet of 16 regular

Anadin will be 87p, instead of £1.75, and Nurofen tablets will cost £1.14 for 16, rather than £2.29. Reductions at Tesco included a 40 per cent cut in Anadin Extra, to £1.29 for 16, while Sainsbury's matched the Asda price for Nurofen, and reduced Seven Seas Evening Primrose Oil from £5.59 for a 60-pack to £2.79. The cuts came after the Community Pharmacy Action Group, representing small retailers, withdrew its opposition to a High Court action brought by the Office of Fair Trading. The OFT had sought the abolition of resale price maintenance in the industry, exempted 30 years ago from general price-fixing rules to try to ensure the survival of small pharmacies. There are 13,500 pharmacies in Britain, of which

9,000 are small shops serving local high streets and rural communities. The action group backed out after Mr Justice Buckley said that he believed there was insufficient proof that a large number of independent pharmacies would close, or that the range of products would be reduced. But the group's chairman, David Sharpe, said that the outcome would be a devastating blow. 'Many pharmacists will simply not be able to survive given the buying power and aggressive pricing of the supermarkets' he said. 'It's a sad day for Britain. The potential losers are the elderly, disabled and young mothers who rely on the free advice and range of services offered by the local pharmacist. We'll fight on and hope the public will remain loyal.' The changes will cover about 2,500 products sold without requiring a doctor's prescription, and will have no effect on prescription drugs or on cosmetics sold by pharmacists. Prices are likely to fall even lower as competition grows. In the United States, where prices are unregulated, comparable products are markedly cheaper. Richard Hyman, chairman of the Verdict retail research consultancy, said: 'This is a market made for supermarkets. Medicines are small, they fit on shelves and supermarkets are going to make a lot of noise about the great prices that they will be offering.

Soon medicines will become like any other product and be part of the weekly shop.' John Vickers, Director-General of Fair Trading, said: 'This is excellent news for consumers, who will now benefit from lower and more competitive prices for common household medicines. Consumers will save many millions of pounds a year.'

The Proprietary Association of Great Britain, which represents medicine and food supplement manufacturers, said it was disappointed

a) Examine what kind of market structure is involved for the sale of medicines and vitamins and explain the barriers to entry in this market?

Marks (10)

b) Might there be a change in market structure after the change in the law? explain the disadvantages of the abolition of resale price maintenance (RPM) for this market.

Marks (10)
