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Total No. of Questions : 17

MANAGERIAL ECONOMICS

Subject Code : MBA-102-18

M.Code : 75403

Max. Marks : 60

1. SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.

- 1 What is opportunity cost?
- 2 What is scarcity?
- 3 What is Average Revenue?
- 4 What is nominal interest rate?
- 5 What is budget multiplier?
- 6 What is collusive oligopoly?
- 7 What is rent?
- 8 What is unemployment?

## UNIT-I

- ## UNIT-II

11. Explain the modern theory of cost.
12. Explain the relationship between Total Revenue, Average Revenue and Marginal revenue.

### UNIT-III

13. Explain different pricing practices.
14. Explain equilibrium of a firm under monopoly.

### UNIT-IV

15. What are the motives for holding cash?
16. What are the properties of Keynes psychological law of consumption?

### SECTION-C

#### 17. Case Study :

The Wii is a video game console made by Nintendo. It seems that this is the one of the most successful consoles made by Nintendo to date, and it is the successor to the Gamecube. The Wii is Nintendo's fifth home video game console. The Wii is a very interesting console, having WiFi online capabilities, wireless controllers, and blue-tooth. The Wii is different than other video game consoles launched by Nintendo in the past due to many reasons, but the main one is the controller. The controller has revolutionized gaming. The controller uses a miniature gyroscope inside of it to detect its orientation, and a sensor bar attached to the Wii console to detect where it is in 3D space. The controller can be used much like a mouse, as things on the screen can be manipulated simply by pointing and pressing a button, but instead of moving the controller on a flat surface, a person can simply point the controller at the TV much like a TV remote. By this merit, the controller has become simple, and it gives game developers something new to toy with. Nintendo packaged a game with the system called Wii Sports, which features 5 different minigames: baseball, boxing, bowling, tennis, and golf, each having the player using the controller as if they were playing the actual game. For example, you would swing the remote as if it was a tennis racket in tennis.

On September 14, 2006, Nintendo released information for Japan, North and South America, Australia, Asia and Europe, including dates, prices, and projected unit distribution numbers. It was announced that the majority of the 2006 shipments would be allotted to the Americas. The media hype began immediately. The Wii was launched in the United States at \$249.99 on November 19, 2006, two days after the PS3 was released in North America. It was later launched in the United Kingdom on December 8, 2006 at £179. The Wii was launched in South Korea on April 26, 2008 and in Taiwan on July 12, 2008.

The UK suffered a widespread shortage of console units as many high-street and online stores were unable to fulfil all pre-orders by Christmas 2006. Some UK stores still had a shortage of consoles by March of the next year. The market lead is largest in the Japanese market, where it currently leads in total sales, having outsold Playstation 3 and Xbox 360

by factors of 2:1 to 6:1 nearly every week from launch until November 2007. In 2008, the Wii was the best-selling home console in Japan with 2,908,342 units sold. In Australia, the Wii exceeded the record set by the Xbox 360 to become the fastest-selling game console in Australian history. In the North American market lifetime-to-date sales for the Wii have reached 30 million in the North American market alone since the console's launch in November 2006. Demand still outpaced supply in the United States as of June 2007. In October 2008, Nintendo announced that between October and December 2008 the Wii would have its North American supplies increased considerably from 2007's levels, while producing 2.4 million Wii units a month worldwide, compared to 1.6 million per month in 2007. Unfortunately for consumers, it took until March 2009 (and 48 million units) to make Wii available to those who want to walk into a retail store and pick one up.

While Microsoft and Sony have experienced losses producing their consoles in the hopes of making a long-term profit on software sales, Nintendo reportedly has optimized production costs to obtain a significant profit margin with each Wii unit sold. Nintendo reported on May 7, 2009 increases in operating profits for its fiscal year (April, 2008 - March 31, 2009), and a rise in sales—setting record earnings compared to the previous year

On September 23, 2009, Nintendo announced its first price drops for the console. In Japan, the price dropped from ¥25,000 to ¥20,000, effective October 1, 2009. In the United States, the price was reduced to \$199.99, effective September 27, 2009. In Europe (excepting non-eurozone nations), the price of a Wii console dropped to €199 from €249. Nintendo sold more than three million Wii consoles in the U.S. in December 2009, setting a regional record for the month and ending 9 months of declining sales, as a result of the price cut and software releases such as New Super Mario Bros. Wii. As of the end of that month, the Wii was the best-selling home video game console produced by Nintendo with sales of over 67 million units, surpassing that of the original Nintendo Entertainment System. As of June 30, 2011, Nintendo has sold 87.57 million Wii consoles.

Questions :

1. Would the demand for the Wii console be relatively inelastic or relatively elastic? State why?
2. Would the supply for the Wii console be relatively inelastic or relatively elastic? State why?
3. Draw the demand and supply curves as you have described them.
4. Can you suggest a reason why Nintendo dropped the price of the Wii Console in late 2009? How would you expect this to affect revenues?

NOTE: Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.