Online PGDM

First Year, Trimester 1, October 2023

Course Name : Business Economics	**Max Marks : 70**
Course Code : 1101	**Max Time : 2 hrs**

Section A1: Multiple Choice Questions [20 Marks, 1 Mark each]

[***Instructions:*** Answer all 20 questions in this section. Each question carries one mark. Choose the most appropriate answer and mark your response on the provided answer sheet. There is no negative marking for incorrect answers.]

Question 1: In perfect competition, how many firms typically exist in the market?

a) A few

b) Many

c) One

d) None

Question 2: In a perfectly competitive market, what happens if a firm charges a price higher than the equilibrium price?

a) The firm makes higher profits

b) The firm makes lower profits

c) The firm goes out of business

d) The firm's profits remain the same

Question 3: In a monopoly market, which of the following is true?

a) Many firms compete

b) One firm dominates the market

c) Firms have identical products

d) No barriers to entry exist

Question 4: What is the primary source of a monopoly's market power?

a) Perfect information

b) Unique product

c) Low prices

d) Many competitors

Question 5: Monopolistic competition is characterized by:

a) Many firms selling identical products

b) One firm dominating the market

c) Many firms selling similar but differentiated products

d) No competition

Question 6: In monopolistic competition, how does a firm set its price?

a) By following the market price

b) By maximizing profit

c) By charging the highest price

d) By charging the lowest price

Question 7: Oligopoly is a market structure characterized by:

a) Many small firms

b) One large firm

c) A few large firms

d) Perfect competition

Question 8: What is a common feature of oligopoly markets?

a) Many firms producing identical products

b) Collusion among firms

c) No competition

d) No barriers to entry

Question 9: What are externalities in economics?

a) Private costs and benefits

b) Costs and benefits that affect only producers

c) Costs and benefits that spill over to third parties

d) Costs and benefits that are internal to the firm

Question 10: An example of a negative externality is:

a) A well-maintained garden

b) Clean air

c) Noise pollution from a factory

d) A college education

Question 11: Information asymmetry refers to:

a) A market with perfect information

b) A market where buyers and sellers have equal knowledge

c) A situation where one party has more information than the other

d) A market with no information

Question 12: In the context of information asymmetry, what is adverse selection?

a) The tendency for lower-quality products to be selected in the market

b) The process of selecting the best option

c) The process of gathering information

d) The equilibrium price in the market

Question 13: Public goods are characterized by:

a) Rivalry and excludability

b) Non-rivalry and excludability

c) Rivalry and non-excludability

d) Non-rivalry and non-excludability

Question 14: Which of the following is NOT a public good?

a) Clean air

b) National defense

c) A private swimming pool

d) Street lighting

Question 15: Which market structure is most likely to result in price discrimination?

A) Perfect Competition

B) Monopoly

C) Oligopoly

D) Monopolistic Competition

Question 16: What happens to consumer surplus when a tax is imposed on a market?

A) Increases

B) Decreases

C) Remains unchanged

D) Depends on the elasticity of demand

Question 17: In a monopoly market, the firm is the:

A) Price taker

B) Price maker

C) Price discriminator

D) Price follower

Question 18: Which of the following is an example of a positive externality?

A) Pollution

B) Vaccination

C) Noise pollution

D) Traffic congestion

Question 19: Market failure occurs when:

A) The market price is too low

B) The market price is too high

C) The market does not allocate resources efficiently

D) There is excess demand in the market

Question 20: Which of the following is a characteristic of a natural monopoly?

A) Many firms producing the same product

B) High fixed costs and low marginal costs

C) Perfectly elastic demand curve

D) No barriers to entry

Section B: Short answer questions [10 Marks]

[***Instructions***: Answer both questions in this section. Each question carries 5 marks. Write your answers clearly and Be concise and to the point, providing relevant details to support your answers.]

Question 1: Describe the concept of demand elasticity. How does it influence pricing decisions for businesses? [5 Marks]

Question 2: Explain the concept of opportunity cost and its relevance in managerial decision-making. Provide an example. [5 Marks]

Section C; Case analysis [40 Marks]

[***Instructions:*** Read the case study carefully before answering the questions. Answer all the questions in this section. Each question carries 10 marks. Write your answers in a well-organized manner, demonstrating your understanding of the case and applying relevant concepts from managerial economics. Clearly label your answers according to the question numbers. Show all calculations and provide explanations where necessary. Properly justify your answers and provide reasoning for your conclusions.]

Case Study: Foxwoods Casino

Foxwoods, the largest casino in the United States, was established in 1992 when the state of Connecticut allowed the Mashantucket Pequot tribe to operate slot machines. In exchange, the Pequots committed to paying the state 25 percent of the machines' revenues or a minimum of $100 million per year. By 1994, Foxwoods, which spans over 7.6 acres, boasted nearly 4,000 slot machines and approximately 200 table games such as blackjack and craps. It became the sole nearby casino of this kind for people from southern New England and many northern suburbs of New York.

(a) Monopoly or Not? (10 marks)

Was Foxwoods a monopoly? Explain your answer.

(b) Comparative Analysis (10 marks)

Gross receipts at Foxwoods have averaged about $800 million annually, approximately 50 percent higher than those of the Taj Mahal, the largest of Atlantic City's 12 casinos. Given that there are 22 million people living within 150 miles of Foxwoods, compared to 28 million people within 150 miles of Atlantic City, are you surprised that Foxwoods's receipts exceed those of the Taj Mahal by such a margin? Why or why not?

(c) Profitability Analysis (10 marks)

Experts suggest that Foxwoods's profits, including those from the hotel and restaurants, which total about $600 million per year, are significantly higher than if it had numerous nearby rivals. Why is this the case?

(d) The Mohegan Casino (10 marks)

A casino built by the Mohegan tribe in Montville, Connecticut, approximately 15 miles from Foxwoods, is likely to have what effect on Foxwoods's receipts and profits?