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| **SESSION** | **Aug/Sep 2023** |
| **PROGRAM** | **MASTER of business administration (MBA)** |
| **SEMESTER** | **I** |
| **course CODE & NAME** | **DMBA105 – MANAGERIAL ECONOMICS** |
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**Assignment Set – 1**

**1. What is Law of Demand? What are its exceptions? 2+8**

**Ans 1.**

**Law of Demand**

The Law of Demand is a fundamental concept in economics that describes the inverse relationship between the price of a good or service and the quantity demanded by consumers, assuming other factors remain constant (ceteris paribus). Simply put, as the price of a good or service increases, the quantity demanded for it tends to decrease, and conversely, as the price of a good or service decreases, the quantity demanded for it tends to increase.

This behavior can be attributed to two primary effects:

1. **Substitution Effect:** When the price of a product rises, other similar products become

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**2. Describe the features of various market structures. 10**

**Ans 2.**

**Features of Various Market Structures**

Market structures provide a framework within which businesses operate, determine product prices, and compete. They essentially describe the nature and level of competition between firms in the same industry. There are several types of market structures, each with its own distinct features and implications for the way businesses behave. Let’s delve into the primary market structures: perfect competition, monopolistic competition, oligopoly, and monopoly.

**1. Perfect Competition**:

**Many Sellers and Buyers**: There are numerous sellers, each selling an identical product, and many buyers. No single buyer or seller can influence the market price.

**3. Explain the different types of cost with suitable example. 10**

**Ans 3.**

**Different Types of Cost with Suitable Examples**

Cost is a fundamental concept in economics and business management. At its core, it represents the amount spent to produce or purchase something. However, from a managerial perspective, it is essential to understand the different classifications of costs, as they play a crucial role in decision-making, budgeting, and price setting. Here, we delve into the various types of costs and provide examples for better comprehension.

**1. Fixed Costs**: These are costs that do not vary with the level of production or sales. They remain constant regardless of the volume of goods produced or sold. This means that even if

**Assignment Set – 2**

**4. Outline the characteristics and causes of business cycle. 10**

**Ans 4.**

**CHARACTERISTICS OF BUSINESS CYCLES**

**Wave-Like Movements:** Business cycles occur in waves, characterized by alternating periods of expansion and contraction in economic activity. These are recurrent, but not periodic, as they do not follow a fixed time pattern.

**Phases:** A complete business cycle comprises four phases – expansion or boom, peak, contraction or recession, and trough. The expansion phase sees an upward trajectory of economic activity until it reaches its peak. After the peak, the economic activity starts to

**5. Summarize the different objectives of pricing policies. 10**

**Ans 5.**

**Objectives of Pricing Policies**

Pricing is a crucial component in the decision-making processes of firms. It not only affects a company’s bottom line but also plays a vital role in positioning a product or service in the market. The objectives behind pricing policies can vary based on the company's goals, market conditions, and the specific stage of the product life cycle. Here are the key objectives of pricing policies:

**Revenue Maximization**: One of the primary objectives for many businesses is to maximize revenue. By adjusting the price, a company aims to sell a quantity of the product that will

**6. Define and discuss the importance of consumption function in detail. 2 +8**

**Ans 6.**

**Consumption Function: Definition and Importance**

**Definition of Consumption Function:**

The consumption function, a central concept in Keynesian economics, relates the level of aggregate consumption to the level of disposable income in an economy. It is mathematically expressed as:

C=C0​+c(Y−T)

Where:

* C = Total consumption