

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306

**POST GRADUATE DIPLOMA IN MANAGEMENT (2025-27)**  
**MID TERM EXAMINATION (TERM -I)**

Subject Name: **MANAGERIAL ECONOMICS**

Time: **01.00 hrs**

Sub. Code: **PGM102**

Max Marks: **20**

**Note: All questions are compulsory. Read the case and answer the questions**

**Kindly write the all the course outcomes as per your TLEP in the box given below:**

- CO-1** Apply fundamental economic concepts (opportunity cost, marginal analysis, time perspective, equi-marginal principle) to managerial decision-making (Apply-L-3)  
**CO-2** Analyze demand and supply conditions to forecast market trends and evaluate business strategies. (Analyze-L4)  
**CO-3** Examine production and cost functions to determine optimal resource allocation in short-run and long-run scenarios (Analyze-L4)  
**CO-4** Compare different market structures (perfect competition, monopoly, monopolistic competition, oligopoly) and assess their impact on pricing and output decisions. (Analyze-L-4)  
**CO-5** Evaluate macroeconomic environment of business through concepts of national income, business cycles and monetary and fiscal policies (Evaluate-L-5)

**SECTION - A**

Attempt all questions. All questions are compulsory.

**20 Marks**

	<b>CO</b>	<b>Bloom's Level</b>
<b>Read the caselet and answer the questions:</b>	<b>CO1</b>	<b>L3</b>
<p><b>UrbanEats – Choosing Between Smoothies and Space</b></p> <p>UrbanEats, a well-known café in Pune run by Kavita, is famous for its healthy, freshly prepared food. After years of steady business, Kavita has built up ₹3,00,000 in savings and is now considering two mutually exclusive opportunities to use her café's available space.</p> <p><b>Option A: Add a Smoothie Counter</b>  Kavita could invest her ₹3,00,000 savings into setting up a smoothie counter. The projected annual revenue is ₹2,50,000, while annual operating costs — including ingredients, electricity, and wages for an additional part-time staff member — are expected to be ₹1,50,000. Running the counter would require Kavita to work an extra 10 hours each week. Although she does not currently draw a salary from UrbanEats, she estimates that if she used those 10 hours for consultancy work instead, she could earn ₹500 per hour.</p> <p><b>Option B: Lease the Space</b>  Alternatively, Kavita could lease the same space to an independent juice bar operator for ₹1,20,000 per year. This arrangement would require minimal effort, with only ₹10,000 in annual costs for utilities and basic maintenance.</p> <p>Kavita understands that choosing one option means giving up the benefits of the other. She also recognises that her decision should be based not only on explicit</p>		

<p>monetary costs but also on implicit costs such as the foregone consultancy earnings or lost rental income.</p> <p>While the smoothie counter could bring personal satisfaction, brand diversification, and increased customer engagement, it also carries operational risks — including fluctuating demand, possible health regulation changes, and the challenge of managing additional staff.</p> <p>Her task is to determine which choice offers the highest economic profit — profit calculated after considering both explicit and implicit costs — and whether non-monetary benefits should influence her final decision.</p> <p>Q1) What are the explicit and implicit costs for Option A (Smoothie Counter) and Option B (Leasing the Space)? List them separately. (5)</p> <p>Q2) If Kavita chooses Option A, what is the opportunity cost? If she chooses Option B, what is the opportunity cost? How should this influence her decision? (5)</p>		
<p><b>Read the caselet and answer the questions:</b></p> <p style="text-align: center;"><b>Ride-Hailing Prices During Festival Season</b></p> <p>Ravi, a marketing professional in Delhi, relies on ride-hailing apps like Ola and Uber for his daily commute. Under normal conditions, a 10 km ride costs around ₹250. At this fare, the market remains in equilibrium — there are enough drivers to meet the number of ride requests, and trips are completed quickly with minimal cancellations. However, during the Diwali festival week, the situation changes dramatically. Demand for rides increases sharply as people travel more frequently for shopping, visiting relatives, and attending festive gatherings. At the same time, many drivers take leave to celebrate with their families, leading to a nearly 20% reduction in active drivers. Economically, this means the demand curve shifts right, while the supply curve shifts left. At the existing price of ₹250, this mismatch results in a shortage. Ride requests far exceed the number of available cars, causing wait times to stretch from 5 minutes to over 20 minutes. Many customers face repeated cancellations as drivers become highly selective about trips. To address the imbalance, both Ola and Uber introduce surge pricing. Fares increase from ₹250 to ₹400 during peak festive hours. The higher price has two effects:</p> <ol style="list-style-type: none"> <li>1) Some price-sensitive riders cancel or postpone their trips, reducing demand.</li> <li>2) Higher earnings per trip motivate more drivers to log in and accept rides, partially restoring supply.</li> </ol> <p>Within a short period, the market moves toward a new equilibrium at ₹400 — where the reduced supply matches the adjusted high demand, and wait times improve. Despite its effectiveness in balancing the market, surge pricing sparks public debate. Many customers view it as unfair exploitation during peak times, while companies defend it as a necessary tool to ensure service availability when demand is exceptionally high.</p> <p>Q1) What caused both demand and supply curves to shift? Draw a graph to show the shifts (5)</p>	CO2	L4

Q2) How did surge pricing help restore equilibrium? (5)		
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**Kindly fill the total marks allocated to each CO's in the table below:**

<b>COs</b>	<b>Blooms Taxonomy Levels</b>	<b>Marks Allocated</b>
CO1	L3	10 Marks
CO2	L4	10 Marks

**Blooms Taxonomy Levels given below for your ready reference:**

**L1= Remembering**

**L2= Understanding**

**L3= Apply**

**L4= Analyze**

**L5= Evaluate**

**L6= Create**