

Reg. No.....

Name.....

B A, B SC, B COM DEGREE END SEMESTER EXAMINATION - APRIL 2025**UGP (HONS.) SEMESTER - 2: CORE COURSE****COURSE: 24UCCRBBA107: BUSINESS ECONOMICS***(For Regular 2024 Admission)*

Time: 2 Hours

Max. Marks - 70

PART A**Answer any 5 out of 8 questions.****(5 × 3 = 15 Marks)**

1. Explain any 3 importance of Managerial Economics in understanding business decisions. CO1 {U}
2. Explain the role of demand forecasting in business planning and its significance in decision-making. CO2 {U}
3. Explain how shifts in demand affect business strategies. CO2 {U}
4. Explain the law of diminishing marginal utility. CO2 {U}
5. Explain the types of utility. CO5 {U}
6. Describe the significance of economies of scale in cost reduction for businesses. CO5 {U}
7. Explain the characteristics of monopoly. CO5 {U}
8. Explain the role of the kinked demand curve. CO5 {U}

PART B**Answer any 3 out of 6 questions.****(3 × 5 = 15 Marks)**

9. Explain the concept of income elasticity and analyze the impact of income elasticity of demand on the marketing strategies of luxury goods. CO2 {An}
10. Evaluate the role of the theory of consumption in understanding consumer behavior and its impact on business strategies. CO4 {Ev}
11. Discuss how businesses can use the cross elasticity of demand concept to evaluate their competitive strategies. CO2 {An}
12. How do production costs influence the pricing decisions of firms in the short-run and long-run? CO5 {An}
13. Differentiate monopolistic competition and oligopoly. CO4 {An}
14. Explain any 5 demand forecasting techniques in business. CO2 {Ev}

PART C**Answer 1 out of 2 questions.****(1 × 20 = 20 Marks)**

15. Discuss the functions of managerial economists. CO1 {Ap}
- OR
16. Explain the production function and its role in decision-making. CO2 {Ap}

17. Case Study: Monopoly Market Structure – Kerala State Electricity Board (KSEB)

Case Description:

Kerala State Electricity Board (KSEB) has been the official and sole electricity supplier in Kerala for several decades, operating as a monopoly in the state's power sector. As a public sector organization, it controls the generation, transmission, and distribution of electricity, giving consumers no alternative options for conventional electricity supply. Over the years, KSEB has come under scrutiny for its pricing strategies, employee costs, service quality, and response to the rise of renewable energy sources like solar power. Despite its monopoly status, the inefficiencies in its operations and the emergence of alternative energy solutions have raised serious concerns about its sustainability and impact on consumers.

One of the major criticisms faced by KSEB is its high electricity tariffs. Even though the board primarily relies on hydropower, which has a relatively low production cost, it has become one of the highest-charging electricity boards in the country. The rising cost of electricity has put a financial burden on households and businesses, making it difficult for them to manage their expenses. Consumers often question why they are paying such high rates when the cost of generating electricity through hydropower is comparatively lower than thermal or nuclear power. The board's monopoly structure allows it to set prices without external competition, leaving consumers with no choice but to accept the rates imposed.

In addition to high tariffs, KSEB has been widely criticized for its high employee salaries and operational inefficiencies. The salaries of KSEB employees are among the highest in similar job profiles across India. Despite receiving high salaries, the board's workforce has often been accused of inefficiency, lack of accountability, and poor customer service. Reports suggest that the attitude of KSEB staff and authorities towards consumer complaints is largely negative, with many grievances going unaddressed. Unlike a competitive market where service providers strive to improve their customer relations to retain consumers, the absence of competition allows KSEB to function without significant concern for consumer satisfaction.

The emergence of solar energy has further challenged KSEB's monopoly. With the declining cost of solar panels and the availability of government subsidies, many households and businesses in Kerala have started installing solar power systems to reduce their dependency on KSEB. This shift towards renewable energy threatens KSEB's dominance in the electricity market. Instead of encouraging this transition, KSEB has proposed paying solar panel owners a minimal amount for the electricity they produce, while charging them significantly higher rates for any electricity they consume from the grid. This approach discourages consumers from investing in solar power and ensures that KSEB maintains its monopoly control over electricity distribution.

Another significant challenge faced by KSEB is its over-reliance on hydropower, making it highly dependent on seasonal variations.

KSEB's monopoly has led to several inefficiencies, including high costs, poor service quality, and a lack of innovation. The growing interest in solar power and the increasing frustration among consumers indicate a need for structural reforms in Kerala's electricity market. One possible solution is to introduce competition by allowing private players to enter the electricity supply sector. This would encourage better pricing strategies, improved customer service, and a shift towards more sustainable energy solutions. Alternatively, the government could enforce stronger regulations to ensure that KSEB operates efficiently while keeping consumer interests in mind. Without such reforms, the challenges posed by its monopoly structure will continue to impact economic growth and consumer welfare in Kerala.

Case Study Questions:

1. Can you identify the market structure ? Explain the characteristics of Monopoly exhibited by KSEB ()
2. Explain the concept of high entry barrier here ,How can we overcome this issue ()
3. Should KSEB be restructured to allow private players, and how would this affect efficiency and service quality of the existing electricity board ? CO5{Ap}

18. Case Study 2

Case Study: Duopoly Market Structure – Swiggy and Zomato

The Indian food delivery industry is dominated by Swiggy and Zomato, creating a duopoly market structure where both companies control a significant share of the market. A duopoly is a type of oligopoly where two firms dominate the industry, influencing pricing, service quality, and competition. Over the years, Swiggy and Zomato have engaged in intense rivalry through pricing strategies, technological advancements, and market expansion, making it difficult for new players to enter the industry.

One of the defining characteristics of this duopoly is price competition. Both platforms have engaged in aggressive discounting, cashback offers, and free deliveries to attract customers. While these strategies benefit consumers in the short run, they lead to operational losses for the companies. Since neither wants to lose market share, they continue offering discounts despite financial losses, relying on investor funding to sustain operations. However, in recent years, both have gradually reduced discounts, shifting focus toward profitability rather than unsustainable price wars.

Beyond price competition, Swiggy and Zomato also engage in non-price competition, such as expanding their service offerings. Swiggy introduced Swiggy Genie for package delivery, while Zomato acquired Blinkit to enter the grocery delivery market. These moves highlight how both companies continuously innovate to gain an edge over the other while maintaining their duopoly. Despite intense competition, tacit collusion is also evident, as both companies charge similar commission rates from restaurants and follow comparable pricing models.

A major reason for their dominance is the presence of high barriers to entry. Competing with Swiggy and Zomato requires huge capital investments, strong logistics, and an extensive restaurant network. Uber Eats, for example, struggled to gain market share in India and eventually sold its operations to Zomato. The dominance of these two firms leaves.

Case Study Questions:

1. Identify the characteristics of Duopoly exhibited by Swiggy and Zomato. CO4 {An}
2. What are the advantages and disadvantages of having only two dominant players in the food delivery industry? CO4 {An}
3. How can new competitors enter the market and challenge the Swiggy-Zomato duopoly, and what barriers would they face? CO2 {An}