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**JAIPURIA INSTITUTE OF MANAGEMENT INDORE**

**PGDM (2020 -22)**

**first TRIMESTER**

**END-TERM EXAMINATIONS, NovemBER 2020**

**SET C**

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| **Course Name** | **Managerial Economics** | **Course Code** | **ECO101** |
| **Max. Time** | **2 hours 15 mins** | **Max. Marks** | **40 MM** |

**INSTRUCTIONS: All the question are compulsory to attempt. "All students are compulsorily required to upload only one file as solution sheet. There is no compulsion of using graphs if you are writing your answers over word document.**

**In case you take picture of your hand written solutions, then paste all that in a single word document, submit by renaming the file."**

**Q: 1** The demand for good X is given by

Qdx = 3200 – 10Px - 24Py + 0.05M

Research shows that the prices of related goods are given by Py = $ 200 and the average income of individuals consuming this product is M= $ 52,000.

a. Calculate price elasticity of demand at Px = $ 80. Is the demand price elastic or inelastic? Explain the impact of a small price rise on total revenue.

b. How a small change in income may affect the demand of Good X? Is the good is inferior or normal? c. Calculate cross price elasticity with respect to Good Z. What do you think Good Z is compliment or substitute to Good X? How shall a small change in price of Good Z affects the demand of Good X.

d. Illustrate the effect of the following events on the equilibrium price and quantity in construction sector:

i. Labour rates have come down due to pandemic.

ii. The home loan interest rates have substantially been reduced in order to boost demand.

  **[2.5 \* 4 = 10 marks]**

**Q: 2**

**A.** Comment upon price discriminations practiced by various firms citing examples and sharing what allows a firm to practice price discrimination?

**B.** A perfectly competitive firm’s fixed cost is $ 1000. The minimum AVC is $ 50. If market price of the product which the firm is selling is $ 45, then what should the firm do in the short run. What will be the final profit/loss in this case?

**C.** Find the solution to the following decision game of manufacturing OLED TV of different sizes by LG and Samsung using the method of successive elimination of dominated strategies.

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| --- |
|  **SAMSUNG** |
| **LG** |  | Large | Medium | Small |
| Large | 0,0 | 24,16 | 36,18 |
| Medium | 16,24 | 32,32 | 40,30 |
| Small | 18,36 | 30,40 | 36,36 |

 **[8 + 6 + 6 = 20 Marks]**

**Q:3**

**Seeing strong leisure travel within India’**

**October 30, 2020, Times of India**

Months of stay-at-home during the national lockdown has led to a “surprising level” of demand for leisure travel, says Oberoi Group CEO Vikram Oberoi. Globe-trotting, well-heeled Indians will now explore their country, feels the veteran of the Indian hospitality industry. India has now restored all existing visas, except tourist, and foreigners can come for business and conferences. Things should look up now...

**Hotels have been open for some months now. How is the demand?**Domestic leisure travel has seen a significant revival after the lockdown was lifted and hotels being allowed to reopen is a big positive for the industry. Leisure travel from Indian guests has been strong across all brands and segments. The whole industry was surprised by the level of travel from leisure guests. Any hotel in a leisure location has greatly benefitted from increased demand in this segment of travel. We hope corporate travel will also resume, although some amount of that is taking place.

**What emerging travel trends you are seeing?**We are witnessing Indian guests travelling (within the country) and discovering India more than they have done in the past. People were travelling overseas and now they will travel within India. This is a welcome trend for all of us in the industry. People have been confined and restricted (to their homes during the lockdown). The feedback we are getting is that they really want to start travelling again — whether it is corporate or leisure — to meet friends and relatives or discover destinations. I have no doubt the industry will bounce back and be stronger and better than it was earlier.

1. Examine the market structure of travel and tourism industry in the article above. Validate with sufficient arguments.
2. Name any two measures of Market power. Indicate the extent of market power enjoyed by firms in travel and tourism industry.

**[5\*2 = 10 Marks]**