**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FIRST TRIMESTER (Batch 2021-23)**

**END TERM IMPROVEMENT EXAMINATION, DEC-2021**

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| Course Name | **Managerial Economics** | Course Code | **ECO- 40401** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**Note: All questions are mandatory.**

**Question 1**.

Explain the impact on equilibrium price and quantity in following cases:

1. Government has imposed price ceiling on prices of tomatoes.
2. Impact on petrol vehicles if producers see more profit in electric vehicles than the petrol vehicles.
3. Technological development has happened in solar panel industry
4. Impact on school education if edutech companies like Byjus have reduced their prices
5. Impact on burgers if there is a published report that fast foods reduce immunity

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

**Question 2.** Suppose the demand equation for good X is given by

Qdx = 1000 – 0.5Px + 0.25Py + 0.10M

Research shows that the prices of related goods are given by Py = $ 5,000, while the average income of individuals consuming this product is M= $ 50,000.

a. How many units of good X will be purchased when Px = $ 4,000?

b. Indicate whether Good Y is a substitute or complement for good X, respectively. Use Cross Price Elasticity to identify the same.

c. Is X an inferior or a normal or luxury good? Identify by calculating Income Elasticity.

d. Calculate the point price elasticity of demand under current conditions. Is it elastic or inelastic?

e. Based on the kind of price elasticity, what impact will an increase in price have on the Total Revenue?

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

**Question 3**.

**a.** In her spare time, Suman makes certain gift articles out of waste products. She sells them in the city exhibition and gets a decent response. Being interviewed once by a local newspaper, she said literally the following: "The materials cost me Rs. 50, and the rest is just my labor, which is free. One gift article sells for about Rs. 300; exhibition stall rent comes out to be Rs. 10,000. Overall, I manage a decent profit of around 15000 out of 2 days of exhibition. "

Is she talking about economic profit or accounting profit? Explain the difference between the two. What are the implicit and explicit costs in her business?

**b.** The selling price of a new year diary is Rs. 300. The firm estimated following costs in the manufacturing of 2,000 pieces of diaries.

Fixed Expenses = Rs. 200,000

Variable expenses:

Direct material = Rs. 180,000; Direct Labor = Rs. 120,000; Other variable Expenses = Rs. 100,000

Calculate the Break-even point.

**[ 6 + 4 = 10 Marks ]**

**Question 4.**

**a.** What is Market power? Rank the four major types of market structures in terms of their market power. Also, comment upon elasticities in each of the market structures.

**b.** Market segmentation happens in which kind of price discrimination. Elucidate.

**c.**  Complete the table of short run production costs as given below (please explain the calculation part as well)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Quantity of Output**  **(Q)** | **Total Variable Cost (TVC)** | **Total Cost (TC)** | **Average Variable Cost**  **(AVC)** | **Average Total Cost**  **(ATC)** | **Marginal Cost**  **(MC)** |
| 0 | 0 |  |  |  |  |
| 1 | 20 | 100 |  |  |  |
| 2 | 30 |  |  |  |  |
| 3 | 48 |  |  |  |  |
| 4 | 90 |  |  |  |  |
| 5 | 170 |  |  |  |  |

**[ 3 + 1 + 6 = 10 Marks ]**

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