**JAIPURIA INSTITUTE OF MANAGEMENT INDORE**

**PGDM**

**FIRST TRIMESTER (Batch (2022 -24)**

**END TERM IMPROVEMENT EXAMINATION, December 2022**

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

**INSTRUCTIONS: All the questions are compulsory to attempt.**

**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. Is the good is inferior or normal? Justify your answer.

c. Is the related good complimentary or substitute? Give your reasons to support your argument.

d. Suppose Qd = 16 – 4P and Qs = 10 + 2P, then what should be equilibrium price and quantity?

**[ 3 + 2 + 2 + 3 = 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 AVC is $ 10. The firm is planning to keep selling price as 20. How many units the company should sell to break even?

**[5 + 5 = 10 Marks]**

**Q:3**

**A.** Examine the market structure of hospitality industry with sufficient arguments.

**B.** Differentiate between Economies of Scale and Diseconomies of scale with sufficient examples.

**C.** Assess how market power can be exercised by firms in any industry? Also, how one can measure market power?

**[7 + 6 + 7 = 20 Marks]**

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