**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

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

**END-TERM SPECIAL IMPROVEMENT EXAMINATION, JAN-2023**

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

**INSTRUCTIONS:** All questions are compulsory.

**Question 1**.

For each of the following scenarios, use the supply and demand diagram to illustrate the effect of the given shock on the equilibrium price and quantity in the specified competitive market. Explain whether there is a shift in the demand curve, the supply curve, or neither.

a. An unexpected temporary heat wave hits Rajasthan. Show the effect on the ice cream market.

b. China and Mexico are major producers of textiles. Workers in Mexico decide to go on strike. Show the effect on the market for Mexican textiles.

c. Show the effect of the situation described in (c) on the market for Chinese textiles.

d. Suppose the government imposes a price cap (P\*) below the equilibrium price (P) on bottled water. Show the effect on the bottled water market.

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

**Question 2.** The total demand for wheat and the total supply of wheat per month market are as follows:

|  |  |  |
| --- | --- | --- |
| Thousands of bushels of wheat demanded (Qd) | Price per bushel, $ | Thousands of bushels of wheat supplied (Qs) |
| 85 | 3.40 | 72 |
| 80 | 3.70 | 73 |
| 75 | 4.00 | 75 |
| 70 | 4.30 | 77 |
| 65 | 4.60 | 79 |
| 60 | 4.90 | 81 |

1. What will be the price and quantity at equilibrium?
2. At Price of 3.70, what is the market outcome and how? In this case of market outcome, what is the resulting action?
3. At Price of 4.90, what is the market outcome and how? In this case of market outcome, what is the resulting action?
4. Suppose price elasticity of demand is Ep = -5; what shall be the impact on Qd, if price decreases by 3%.
5. Suppose cross price elasticity of Good X is Exr = + 10; Is the good substitute or complimentary. Explain how a price rise of 2%will affect the demand of Good X.

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

**Question 3.**

**A.** A firm decides to sell a particular product at price Rs. 100. And accordingly it makes total sales revenue by the end of the month as Rs. 8 lacs. From the data given below, calculate the Break-even point.

Fixed Expenses = Rs. 200000

**Variable Expenses** (For all output in a month)

Direct Material = Rs. 180000; Direct Labor = Rs. 120000; Other Variable Expenses = Rs. 100000

**[5 Marks]**

**Question 4**.

**A.** Compare and contrast on the specific characteristics of 4 types of market structures citing examples.

**B.** What is Market power? Rank the four major types of market structures in terms of their market power. Give examples what advantages can help a firm exercise market power.

**C**. Market segmentation happens in which kind of price discrimination. Elucidate with the help of examples.

**[5 + 5 + 5 =15 Marks]**

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