**JAIPURIA INSTITUTE OF MANAGEMENT INDORE**

**PGDM**

**FIRST TRIMESTER (Batch 2019-21)**

**END TERM IMPROVEMENT EXAMINATION, NOVEMBER-2019**

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| Course Name | **Managerial Economics** | Course Code | **ECO 101** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:** All questions are compulsory.

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**Question 1**.Several changes are affecting the market for two wheelers. Predict how each of the following events (given below) will impact the equilibrium price and quantity in the market for two wheelers graphically and justify it with proper reasoning.

a. Two wheelers are becoming more fuel efficient leading to an increase in mileage.

b. A major discovery of new technology has been made, thereby reducing the cost of manufacturing two wheelers.

c. The economies of major two wheeler-using nations are in recession.

d. For major two wheeler manufacturing nations, political uncertainty has disrupted the production process.

e. The price of two wheelers increases above the equilibrium price.  **(5 Marks)**

**Question 2.**

1. In December, the price of Christmas trees rises and the number of trees sold also rises. Is this a violation of the law of demand?
2. Given the following data:

Qd= 80 - P (Demand)

Qs = -10 + P (Supply)

1. Find the equilibrium price and quantity.
2. Suppose the suppliers unanimously decide to charge a new price, P = 50, what shall happen to Qd and Qs?
3. Suppose, for some reasons prices fall to 40, then what shall happen to Qd and Qs?

 **(2 + 4 + 4 = 10 Marks)**

**Question 3**.The demand for good X is given by

Qdx = 1200 – 2Px - 0.75Py + 10Pz - 0.50M

Research shows that the prices of related goods are given by Py = $ 1,000 and Pz = $ 50, while the average income of individuals consuming this product is M= $ 10,000.

a. Calculate price elasticity of demand at Px = $ 25. Is the demand price elastic or inelastic? Explain.

b. Calculate Income Elasticity at given level of income. Is X an inferior or a normal good?

c. Calculate cross price elasticity with respect to Good Z. What do you think Good Z is compliment or substitute to Good X?

. **(4 + 3 + 3 = 10 Marks)**

**Question 4**. Write short notes on the following:

1. Price discrimination and its different types
2. Cost plus pricing method
3. Comparison between Perfect competition and Monopolistic competition
4. Salient features of Oligopoly market
5. Economies of Scale

 **(4 + 2 + 4 + 3 + 2 = 15 Marks)**

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