

JAIPURIA INSTITUTE OF MANAGEMENT NOIDA

PGDM (Batch 2016-18) Term-I

Managerial Economics (ECO 101)

End -Term Reappear Examination, November, 2016

Time: 2 hours

Max. Marks: 40

Note: Attempt all questions.

- Q1.** If the demand and supply curve for an exotic fruit in the market are:
 $Q_d = 1200 - 10P$
 $Q_s = -500 + 10P$
 Where, P is the price of the exotic fruit in rupees per kg. and Q_d and Q_s are respectively quantity demanded and supplied of the fruit in kilograms.
 (i) Find out equilibrium price and quantity of the exotic fruit in the market.
 (ii) What is the minimum price at which the sellers will be willing to supply 400th unit of exotic fruit? [5+ 5=10 Marks]

- Q2.** a. State with examples the reasons behind Economies and Diseconomies of Scale for an organisation in long run. [5 Marks]
 b. Identify whether the following examples fall in First/Second/Third Degree Price Discrimination. Give reasons to support your answer.
 (i) Student discounts for travel
 (ii) 50% rates after 10 minutes of voice call [5 Marks]

- Q3.** a. Complete the following cost schedule of short run production for an organisation:

Output	TC	TFC	TVC	AFC	AVC	ATC	SMC
100	260		60				
200							0.30
300					0.50		
400						1.05	
500			360				
600							3.00
700					1.60		
800	2040						

[5Marks]

- b. A barber estimates the per month overheads of his business as follows:

Owner's salary:	Rs. 15,000
Rental:	Rs. 7,500
Fixed wages:	Rs. 7,000
Cleaning services:	Rs. 750
Electricity and Phone:	Rs. 950
Magazine subscriptions:	Rs. 90
Repairs and maintenance:	Rs. 700
Bookkeeping:	Rs. 650

Apart from this, the direct costs or variable costs are assumed as follows:

Consumables (Hair Gel etc.):	Rs. 5
Barber's commission:	Rs. 10

The going rate for a hair-cut in the area is Rs. 70.

(i) What is his break-even point?

(ii) How many hair-cuts he needs to achieve to command a profit of Rs. 10,000? [5 Marks]

Q: 4 Read the following article:

The education and training sector in India is standing at \$600 billion and the private education segment alone is expected to cross \$45 billion mark by 2015 from the present \$35 billion, according to a research by Investor Relation Society. This sector is named as the major employment driver in India in the Indian Job Outlook Survey 2012. It is expected that employment opportunities will continue to grow in this sector for the next two decades.

Huge potential

The higher education system in India has witnessed remarkable growth in the past few years. India is definitely ahead of other developed countries in the field of education and training. The number of institutes offering higher education is much more in India when compared to China and the US. A latest report by Ernst & Young states that the number of institutes offering higher education in India is 44,668. Of that, 33,668 offer various degrees and the rest offers diplomas. The total number of institutes in China is 4,192, while in the US, the number is 6,500.

According to the E & Y report, the number of students pursuing higher education is also on the rise. Based on this observation, several foreign institutions are foraying into India. This is expected to boost the quality of education in the country.

New opportunities

Education and training sector is undergoing a sea change in the recent past with the focus shifted from public to private sector. Private sector is also actively involved in education and its role will become more poignant in days to come. The private sector's role in the higher education sector has been growing at a rapid pace over the last decade and needs to further expand at an accelerated rate.

The education market is now thriving on the back of the workforce proving itself equal to their counterparts elsewhere in the world in productivity. Given the predominantly young population, the education market is bound to accelerate rapidly.

According to the Investor Relation Society research, skill and vocational training are fast throwing good amount of employment opportunities in the education space in India.

(i) Education industry in India, according to you exemplifies which market structure? Give reason to support your answer.

(ii) What do you think, will the private institutes in the industry be able to generate economic profits in long run? Why or why not? How can you measure market power of any organisation in this market structure? [5+ 5= 10 marks]