JAIPURIA
INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
TRIMESTER I (Batch 2017-19)
END TERM EXAMINATIONS

Course Name	**Managerial Economics**	Course Code	**ECO 101**
Max. Time	**120 minutes**	Max. Marks	**40**

Q.1 ABC Corporation estimates its demand function a follows [2*4=**8**]

Q = 150 -5.4 P + 2.8M+ 0.8A-1.2PR

Where, Q= quantity demanded; P= price of product; A= advertising expenditure; M= per capita income; PR= price of related good

a. If per capita income is expected to increase by Rs 2500, what will be the effect on the unit sales keeping all other things as constant?
b. What will be the effect on unit sales of the product if the price of related good increases by Rs 20, keeping all other things as constant?
c. If the price of the good is Rs 100 and quantity demanded is 22,00 units, what is the price elasticity of demand as per point method?
d. The product produced by ABC corporation is inferior or normal good? Specify reason for your answer.

Q.2 Answer the following: [2*2=**4**]

a. If Rohan quits his job where he was earning an annual salary of Rs 20,00,000 and starts a business where he earns an accounting profit of Rs 20,00,000 per annum, calculate his economic profit? Assume that he is not using any other self-owned resource apart from his time.
b. In a brick kiln (where bricks are baked) the owner may either decide to simply add extra six hour shifts of labor to increase production or he may plan to add a new brick baking platform. Using this situation assess how a short run production decision (production function) is different from a long run production decision.

Q.3 A firm has total fixed cost of Rs 20 and sells output at Rs 10 per unit. Profit contribution is 20 percent of Price. [2*2= **4**]

a. What is breakeven rate of output?
b. What is profit elasticity at an output rate of 20?

Q.4 Fashionable Designs, Ltd., plans to market a new sports blazer. Based on information provided by the accounting department, the company estimates fixed costs of $40,000 per year and average variable costs at:

AVC = $1 + $0.001Q

where AVC is average variable cost (in dollars) and Q is output measured in cases of output per year. Calculate total cost and average total cost for the coming year at a projected volume of 12,000 units [2*2= **4**]

Q.5 Read the case given below and answer the questions that follow:

Private Practice Market in India

Health care organizations all over the world have been going through lot of churning due to developments in many fields, the rapid growth of knowledge in medicine and other sciences, tremendous developments in technology, and increasing trends of specialization have brought changes in the delivery of healthcare. Now there are various sorts of healthcare providers, mostly dominated by private practitioners. Yet the scope of private practice is enormous and new private hospitals /private clinics keep mushrooming.

There is also tremendous influx of patients. Not only Indians are taking more and more medical services but also patients coming from abroad for treatment. These include patients from Gulf, the UK, Malaysia, Africa and many other neighboring countries. This is because of one thing- India, though a developing country, has one of the finest medical professionals who do a fantastic job when provided with a good infrastructural facilities. The cost of healthcare delivery, especially for certain procedures are at least 10-15% less than any other developed country. There are, however, differences in the quality of services and rates of procedures across various clinics in any locality.

a. What is the market structure of private practice in India? Give appropriate arguments. **[10]**

b. Comment on the market power of the sellers in this market. **[5]**

c. Give one another example of this type of market stating its features. **[5]**