JAIPURIA
INSTITUTE OF MANAGEMENT

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

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

1. Given below is the demand function and supply function for a particular type of fish in a coastal town of India.

$$Qd= 600-2P$$
$$Qs= 300+4P$$

   a. Find the equilibrium price and equilibrium quantity of fish. [2]

   b. Show graphically using the demand and supply framework, whether the equilibrium price of fish will increase, decrease or remain same due to an increase in both the number of fishermen and number of consumers in the market. [2]

2. Suppose an increase in the average household income from Rs 60,000 to Rs 70,000 causes a decrease in demand for used cars from 1200 to 800 units in a particular year at a Maruti Suzuki used car dealership.

   a. If used car prices are constant, compute the income elasticity of demand. [2]

   b. What type of a good are used cars in this case? Why? [2]

   c. If the average income is further going to rise by 5 % in the next year, how much will be the sales of the car dealer next year? [2]

3. Answer the following:

   a. In free markets, rent is determined by forces of demand and supply. However, in some developed countries, the government imposes a price ceiling on the rents of apartments. Mention how this price control will affect the quantity demanded and quantity supplied of rented apartments? Also mention effect on consumer surplus and producer surplus. [2+ 2= 4]

   b. If Sharvani runs a coffee shop and she finds that on increasing the price of the coffee her revenue goes down, then what does it tell about the price elasticity of demand for coffee? Explain. [2]

4. In any business it is crucial to achieve cost efficiency. In this context analyze how managers organize production to take advantage of the economies of scale and economies of scope to achieve efficiency? [4]

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

MakeMyTrip on a Profitless Journey

The growth of the country's biggest online travel company is a trip without profit. MakeMyTrip's promotional expenses continue to surge as it doles out offers and discounts to shift offline buyers to online. This is the usual story of all e commerce players in the country as they burn loads of cash to incentivize buyers to make more and more purchases online. The Nasdaq listed company, which merged with rival Ibibo early this year, spent $142.3

million on marketing and sales promotion during April-June quarter of FY 18, marginally higher than what it earned as revenue ($141.2 million) in the three-month period. Discounts seem to be a trap from where an online travel firm may not be able to escape anytime soon. This is also because new entrants have turned aggressive in the segment and the only scoring point has been deep discounts. Take the case of well-funded Wallet cum e commerce player Paytm. Nasdaq listed Yatra, another online Indian travel firm, is comparable with MakeMyTrip.

Industry watchers see the discount game as a normal trend. This is not something unique to India. The biggest global players in the online space continue to focus on expanding market and growing market share with discounts. This strategy is necessitated by the intense competition or rivalry and you can't afford to lose sight of the competitor's pricing. Besides discounts, online travel companies are spending big bucks on brand ambassadors and advertisements.

a. What type of market structure exists in the online travel industry? What are the features of such a market?   [10]
b. Comment on the pricing strategies practiced in such markets.   [5]
c. What can you say about the market power of the online travel companies?   [5]