JAIPURIA
INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

FIRST TRIMESTER (Batch 2024-26)

END TERM EXAMINATIONS, SEPTEMBER 2024

(Reappear)

Course Name	Managerial Economics	Course Code	**20401**
Max. Time	**2 hours**	Max. Marks	**40 MM**

INSTRUCTIONS:

(a) All questions are compulsory.

(b) For analytical questions, it is important to show all steps clearly. Each step will carry marks, so make sure to present your work in a detailed and structured manner.

(c) For theoretical questions, answers should be concise and to the point, focusing on key concepts and ideas.

Question 1 (BL 6): A local coffee shop, "Brewed Awakenings," has been facing increased competition from a new chain store that opened nearby. To attract more customers, the owner is contemplating a price reduction on their signature coffee drink, which currently sells for ₹330. The shop has gathered data indicating that the price elasticity of demand for this coffee is -2.

(I)If the owner decides to reduce the price of the coffee from ₹330 to ₹300, calculate the expected percentage increase in the quantity demanded. (CLO2| 3 Marks)

(II). Given the current sales volume of 100 cups per day, estimate the new sales volume after the price reduction. (CLO2| 3 Marks)

(III). Discuss the potential implications of this price change on the shop's total revenue. Would the total revenue increase or decrease because of this price adjustment? Justify your answer using the concept of price elasticity of demand. (CLO3| 4 Marks)

Question 2 (BL V): Suppose Aarti sells papayas in a perfectly competitive market in India. While her average total cost (ATC) reaches a minimum of ₹3, her minimum average variable cost (AVC) is ₹2.

(I). At what price will Aarti reach the equilibrium point? Will she be able to sell any papayas at that price? (CLO2| 4 Marks)

(II). Under what circumstances would Aarti decide to shut down her business? (CLO3| 4 Marks)

(III). Explain the difference between the short-run and long-run equilibrium in a perfectly competitive market. How would Aarti's decision-making process differ in each case? (CLO1: 4 Marks)

Question 3 (BL 1 & VI): Tata Motors is a leading automobile manufacturer in India, competing in an oligopolistic market with other dominant players such as Mahindra & Mahindra and Maruti Suzuki. These companies offer similar types of vehicles but differentiate themselves through technology, brand loyalty, and after-sales service. Due to the nature of oligopoly, these firms closely watch each other's pricing and product strategies.

Recently, Tata Motors launched a new electric vehicle (EV) at a competitive price, prompting Mahindra & Mahindra and Maruti Suzuki to respond by either reducing prices or adding new features to their own EV models. The actions of each firm are interdependent; a major move by one affects the others. Additionally, the Indian government has introduced subsidies and incentives to encourage the production and purchase of electric vehicles, which has further fueled competition. Occasionally, price wars erupt as firms try to capture a larger share of the market while maintaining their profitability.

Answer the following questions:

(I). How does the interdependence among firms like Tata Motors, Mahindra & Mahindra, and Maruti Suzuki in an oligopoly affect their pricing strategies? Provide an example based on the case. (CLO3| 6 Marks)

(II). What role do government incentives play in shaping competition in the Indian electric vehicle market? How might these incentives affect the behavior of Tata Motors and its competitors? (CLO1| 6 Marks)

(III). Discuss how non-price competition, such as brand differentiation and product innovation, could be more effective than price competition in an oligopoly. How might Tata Motors use these strategies to maintain its market position? (CLO3| 6 Marks)