JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM
FIRST TRIMESTER (Batch 2018-20)
END TERM EXAMINATIONS, OCTOBER 2018

Course Name	Managerial Economics	Course Code	ECO101
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS: Attempt all questions

1. Ajay works as a sales person earning Rs 5,00,000 annually. He owns a piece of commercial real estate bringing in Rs 2,00,000 in rent annually. He plans to leave his job and operate a retail store in his commercial estate. At the end of the first year, he expects total revenues of Rs10,00,000 and total expenses/costs of Rs 3,00,000 under various heads. What is expected economic profit from the retail store? What should he choose to do? [2+2]

2. A company selling veg burgers hires an economist to determine the demand for its product in a particular locality. After analyzing the past trends of demand, the economist tells the company that the demand for the firm's burgers is given by the following equation:

$$Q_x = 12,000 - 500P_x + 5M + 500P_c$$

Where P_x is the price charged for the burgers, M is average consumer income, and P_c is the price of burgers from competing company. Assume that the initial values of P_x, M and P_c are Rs. 50, Rs. 10,000, and Rs. 60, respectively. Using this information:

A. Determine what effect a price increase would have on total revenues of this company. [2]
B. Assess on basis of income elasticity of demand, how sale of the veg burgers would change during a period of rising income. [2]
C. Assess on basis of cross price elasticity, the probable impact on sale of veg burgers if the competing company lowers its price. [2]

3. Following is the data of production and employee size of a two wheeler company with respect to four years during which the company did not change its plant size. Analyze and interpret the given data in the context of short run production function. [4]

YEAR	PRODUCTION	EMPLOYEES	OUTPUT/EMPLOYEE/YEAR
2007	1,2127,48	13,819	87.8
2008	1,356,463	13,482	100.6
2009	1,457,066	12,338	118.1
2010	1,516,876	11,531	131.5