

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM (M)/PGDM(SM)/PGDM (2016-18 Batch)

Trimester-I

Mid-Term, August, 2016

ECO- 101-Managerial Economics

Time: 1 hrs.

Weightage: 20 %

Max. Marks: 20

Note: Attempt Four questions. All questions carry equal marks

- Q1 (a) Is the maximization of Profit margin (profit as a percentage of total sales) a valid financial objectives of a corporation? Discuss. **(2 marks)**
(b) If you owned a movie theater, would you want the demand for movies to be elastic or inelastic? Explain **(2marks)**
(c) Jaya decides to use the train to get to work rather than driving each day. The train fare each month will be Rs350. After one month, she calculates that she is spending Rs250 less on petrol and about Rs25 less on maintaining her car. What is the opportunity cost of using the train? **(1 marks)**
- Q2 The ABC marketing consulting firm found that a particular brand of a portable stereo has the following demand curve for a certain region:
$$Q = 10,000 - 200P + 0.03 \text{ Pop} + 0.6 I + 0.2 A$$
Where Q is the Quantity per month, P is the Price (Rs.), Pop is Population, I is disposable income per household (S), and A is advertising expenditure (Rs.)
(a) Determine the demand function for a company in a market in which Pop= 1,000,000 , I= 30,000 and A= 15,000 **(2marks)**
(b) Calculate the quantity demanded at Price Rs. 200, Rs 175, Rs. 125 and Rs 100 **(2marks)**
(c) Calculate the price necessary to sell 45,000 units. **(1marks)**
- Q3. Briefly list and elaborate on the factors that will affect the demand for the following products in next several years. Do you think they will cause the demand to increase or decrease?
(a) Airline travel within India
(b) Credit Cards **(2.5*2=5marks)**
- Q4 A person managing dry cleaning store for Rs 30,000 per year decides to open a dry cleaning store. The revenues of the store during the first year of operation are Rs 100, 000 and the expenses are Rs 35,000 for salaries, Rs 10,000 for supplies, Rs 8,000 for rent, Rs 2,000 for utilities, and Rs 5,000 for interest on a bank loan.
Calculate:
(a) the explicit cost **(1marks)**
(b) the implicit costs **(1marks)**
(c) the accounting profit **(1marks)**
(d) the economic profit **(1marks)**
(e) Indicate whether the person should open the dry cleaning store. **(1marks)**