K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
Vidyavihar, Mumbai- 400077

Program: MIM(Batch2018-21), Sem-II
Subject: Managerial Economics
(End Term Examination)

Maximum Marks: 50
Duration: 3 hour **Date: 15 April 2019**

Instructions

1. **Question No. 1 is compulsory.**
2. **Of the remaining FIVE questions (Question No. 2 to 6), attempt any FOUR questions. If more than FOUR questions are attempted, the first FOUR answers shall be evaluated.**
3. **Write briefly and to the point.**
4. **Make assumption wherever required and provide justification for the same.**

QUESTION 1 **10 Marks**

Regaining its Lost Empire

India is world's largest market for phones and smartphones after China. Though Samsung is still the market leader in overall phone and smartphone segments in the country, according to a study, iPhone maker Apple leads India's premium segment with a 56% share, while Samsung trails behind with 40% for first quarter of 2017. Samsung had suffered a big jolt to its branding and market share after the worldwide recall of its Galaxy Note & due to a series of incidents of battery explosions in October 2016. This cleared the battlefield for Apple.

Samsung is planning to come back in May 2017, with two new premium models, Galaxy S8 and S8+. Experts are divided on the future of these new launches; however, Samsung is highly confident to mount a tough challenge to its prime rival Apple, hoping that the memories if Galaxy 7 disaster have been erased. Galaxy S8 and S8+ shall be available through physical retail stores, as well as through Flipkart and Samsung's own online store from 5th May 2017. Waris, Senior Vice President, Mobile Business, Samsung India has stressed that global concern of quality has been addressed and that they expect to enhance market share due to the fact that S8+ has a bigger screen.

Answer the following with respect to above mentioned case titled *"Regaining its Lost Empire"*:

a) Elasticity of demand for a product is affected by availability of a substitute. Discuss this from the perspective of Samsung.
b) If you were the Vice President, Mobile Business, Apple India, how would you react to this announcement and why?

QUESTION 2 **10 Marks**

"Advertising will lead to increased profits"

Discuss the relevance of above statement with respect to firms operating in i) Perfect Competition ii) Monopoly iii) Monopolistic.

QUESTION 3 **10 Marks**

a) Explain consumer's equilibrium condition with the help of indifference curve approach.

b) Complete the following table using the date given:

Output	Total Cost	Marginal Cost	Total Fixed Cost	Total Variable Cost	Average Fixed Cost	Average Variable Cost	Average Total Cost
0	250						
1		10					
2							210
3				220			
4	510						
5						60	
6							100
7		60					
8				590			
9						90	

QUESTION 4 **10 Marks**

a) Demand for commodity X is given by Q_{dx} = 12000-2000P_x, ceteris paribus and supply function is Q_{sx}=2000P_x, ceteris paribus.
   i. Find the equilibrium price and quantity.
   ii. If there is an increase in consumer's income Q_{dx}=14000-2000P_x, derive the new demand schedule and state the new equilibrium price and quantity.
   iii. Suppose there is an improvement in the technology of producing commodity and the new market function is Q_{sx}=4000+2000P_x. Derive the new demand schedule and state the new equilibrium price and quantity.

b) Distinguish economies of scale from diseconomies of scale and explain possible causes of each with examples.

QUESTION 5 **10 Marks**

a) Two drivers – Tom and Jerry –drive up to a gas station. Before looking at the price, each places an order. Tom says, "I would like 10 gallons of gas." Jerry says, "I would like $10 worth of gas." What is each driver's price elasticity of demand?

b) Using the data given in below table, Calculate the profit maximizing quantity firm needs to produce and maximum profit it can earn. Do you think firm is operating in long-run equilibrium? Explain your answer.

Quantity	0	1	2	3	4	5	6	7
Total cost (Rs)	8	9	10	11	13	19	27	37
Total revenue (Rs)	0	8	16	24	32	40	48	56

QUESTION 6 Write short notes on any TWO of the following **10 Marks**

a) Price Discrimination
b) Expansion Path
c) Marginal Rate of Technical Substitution
d) Prisoner's Dilemma and Oligopoly

---------------------------End of Paper--------------------------