



INDIAN INSTITUTE OF TECHNOLOGY KHARAGPUR
Mid-Autumn Semester 2022-23

Date of Examination: _____ Session (FN/AN): _____
Subject No.: EP60029 Subject Name: SMALL BUSINESS DEVELOPMENT Duration: 2 hrs.
Department/Center/School: RMSoEE

Full Marks: 30

Specific charts, graph paper, log book etc., required:

Special Instructions (if any): Please write in brief and to the point. No queries will be entertained during the examination. Please clearly state assumptions made in the solution.

All questions are compulsory.

- Q1. (a) If some consumers, Group A, were price sensitive and some consumers, Group B, were totally price insensitive, would you charge the two groups of consumers' different prices? If the good could be freely resold across Groups A and B, would you charge the two groups different prices? [4] 2/4
- (b) If the campus police force is expanded and officers are instructed to increase the number of parking tickets they give out, why might the initial effect of this policy increase revenues from fines more than the long run effect? What does your answer have to do with the elasticity of demand for illegal parking? [4] 3/4
- Q2. Suppose consumers learn, and firmly believe, that higher prices translate into higher quality. What would consumers' demand curve look like then? Draw the curve. Would producers be able to exploit consumers who equate higher quality with higher prices in competitive product market? If the government subsidizes flood insurance, what will happen to the price of that insurance? What will happen to the value of the property that is lost during floods? Why? [6] 2/6
- Q3. The weekly demand function for butter in the province of Quebec is $Q_d = 20000 - 500P_x + 25M + 250P_y$, where Q_d is quantity in kilograms purchased per week, P is price per kg in dollars, M is the average annual income of a Quebec consumer in thousands of dollar, and P_y is the price of a kg of margarine. Assume that $M = 20$, $P_y = \$2$, and the weekly supply function is such that the equilibrium price of one kilogram of butter is \$14. [4] 3/4
- (a) Calculate the cross-price elasticity of the demand for butter (i.e. in response to changes in the price of margarine) at the equilibrium. What does this number mean? Is the sign important?
- (b) Calculate the price elasticity of demand for butter at the equilibrium. What can we say about the demand for butter at this price-point? What significance does this fact hold for suppliers of butter?
- Q4. Using Porter's Five Forces, assess opportunities and threat to profitability of following businesses. Evaluate as 'Low' or 'Medium' or 'High' for each of the five forces with their explanation. [3] 4.5/6
- a. An existing apparel company, which is entering the athletic shoes and clothing market
- b. Global Ebank, which is a digital alternative to traditional banking [3]
- Q5. 'Workation' is taking the throne in the global tourism industry after Covid'19 when health and safety are the top priority today. This new form has received a response from office workers around the world and has reached to India. Remote work combined with travel is predicted to become a long-term trend in the future. Workation is a combination of the words Work and Vacation to talk about vacation trips that combined with remote working. It can be said that this working trend is the ideal option for those who want to have a long vacation but still get the job done. Draw the Business Model Canvas for the 'Workation'. [6] 5/6