 

# Managerial Economics

**SBS – MBA / MSC**

**Assignment**

STUDENT ID

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UNIT TITLE UNIT CODE

Name (in Full)

## GENERAL INSTRUCTIONS

* If assignment is not submitted on date, will follow with penalty of 10% deduction of marks for every day.
* Similarity between students work is strictly not accepted, any student found with similar work will be graded Zero and fail for the course. However, Plagiarism is an academic offence and will not be tolerated under SBS
* Assignment once submitted to exam board is final for marking.

## PRESENTATION OF ASSIGNMENT

* + You should include a title page and list of contents.
  + Use headings and sub-headings to organize your report and include supporting material in the document file.
  + Number all pages sequentially.
  + Any published material you refer to should be properly referenced and included in a reference list at the end of your assignment (see Plagiarism notice overleaf).

## Total Marks 100

**PLAGIARISM**

Plagiarism is a form of **cheating**, by representing someone else's work as your own or using someone else's work (another student or author) without acknowledging it with a reference. This is a serious breach of the Academic Regulations and will be dealt with accordingly. Students found to have plagiarised can be **excluded from the program**.

Plagiarism occurs whenever you do any of the following things without acknowledging the original source:

* + - Copy information from any source (including the **study guide**, books, newspapers, the internet)
    - Use another person's concepts or ideas
    - Summarise or paraphrase another person's work.

## How do I avoid plagiarism?

To ensure you are not plagiarising, you must acknowledge with a reference whenever you:

* + - use another person's ideas, opinions or theory
    - include any statistics, graphs or images that have been compiled or created by another person or organization
    - Paraphrase another's written or spoken word.

## What are the penalties?

The penalties for plagiarism are:

* Deduction of marks,
* A mark of zero for the assignment or the unit, or
* Exclusion from the program.

Plagiarism is dealt with on a case-by-case basis and the penalties will reflect the seriousness of the breach.

## Please note: claiming that you were not aware of need to reference is no excuse.

**SECTION “A”**

### Answer the below questions. Each question carry 10 marks.

**50 Marks**

1. Show in a diagram the effect on the demand curve, the supply curve, the equilibrium price, and the equilibrium quantity of each of the following events.
   1. The market for newspapers in your town

Case 1: The salaries of journalists go up.

Case 2: There is a big news event in your town, which is reported in the newspapers.

* 1. The market for St. Louis Rams (a professional football team) cotton T-shirts Case 1: The Rams win the Super Bowl competition.

Case 2: The price of cotton increases.

* 1. The market for bagels

Case 1: People realize how fattening bagels are.

Case 2: People have less time to make themselves a cooked breakfast.

* 1. The market for the Krugman and Wells economics textbook

Case 1: Your professor makes it required reading for all of his or her students. Case 2: Printing costs for textbooks are lowered by the use of synthetic paper.

1. Explain the features of Perfect Competition with examples.
2. Explain graphically, at what point the firm should stop hiring worker in a perfect competitive market form. Also, list down some of the characteristics of the market form.
3. Demand of a product is usually very sensitive to economic variables, such as the prices and consumer income. This responsiveness of demand is elasticity. Compute elasticity in the below scenarios:
   1. Yesterday, the price of envelopes was $3 a box, and Jacky was willing to buy 10 boxes. Today, the price has gone up to $3.75 a box, and Jacky is now willing to buy 8 boxes. Is Jacky's demand for envelopes elastic or inelastic? What is Jacky's elasticity of demand?
   2. Katy advertises to sell cookies for $4 a dozen. She sells 50 dozen, and decides that she can charge more. She raises the price to $6 a dozen and sells 40 dozen. What is the elasticity of demand? Assuming that the elasticity of demand is constant, how many would she sell if the price were $10 a box?
4. A market failure occurs when the supply of a good or service is insufficient to meet demand. This results in an inefficient distribution of resources among [market](http://www.investinganswers.com/node/3609) participants. Hence government need to intervene to bring efficiencies. Explain any four tools available for government interventions to deal with the market failures with suitable examples.

**SECTION “B”**

### Answer the below questions. Each question carries 25 marks.

1. Answer the following:
   1. Discuss briefly the supply schedule and the various factors affecting the supply in the market.
   2. Assume the demand being perfectly inelastic, and supply suddenly doubles due to innovative technique of production. Illustrate in a well labelled graph, the changes in the equilibrium price, and quantity, and also is it advisable to do so from supplier point of view.
2. The Telecommunications Regulatory Authority (TRA) is the UAE’s independent industry regulator. Since its launch in 1976, Etisalat has held a monopoly in the market. That changed in 2006 with the emergence of du, which was awarded a 20-year concession to operate fixed-line, wireless, internet and international telecoms services. UAE-based telecom operator recently announced that it was launching Virgin Mobile as a new telecom brand within the country. Assuming the trend continues and the government opens the market for more private and foreign players. You are required to –
   1. Apply your understanding and concepts from microeconomics, to investigate and summarize the major characteristics of the emerging market form in the telecom industry.
   2. Describe and analyze the pricing policies that you would expect to find in this industry.
   3. Explain the profit maximization strategy of this market form with the help of a suitable graph.