



PGDM Program
MID-TERM EXAMINATION, AY 2023-24
TRIMESTER – I (Batch: 2023-25)

Course Name	Managerial Economics	Course Code	ME
Duration	1.5 Hours (90 minutes)	Max. Marks	20

INSTRUCTIONS

General: More credit will be given for explanation using *ECONOMIC CONCEPT AND APPLICATION*. Higher credit will be given *FOR SHORT AND PRECISE ANSWERS*

Instructions for Question 1 and 2: Maximum of 5-10 sentences for explanation.

Instructions for Question 3: Limit the answer to a maximum of two pages.

Instructions for Question 4: Read the case and answer the questions following it.

1. State whether the statement is "True or False" (0.25 marks) and *give an explanation (0.75 marks)* for the same.
 - i. A firm will be in the inelastic portion of demand curve when it is highly threatened by presence of substitutes.
 - ii. Inferior, normal and luxury goods are an absolute concept.
 - iii. Managerial decisions taken are more adhoc than a scientific process in a real-life situation.
 - iv. The perceived value for luxury goods is more influenced by use value of the product.
 - v. People who detest control is likely to hire experts for investment purposes.
 - vi. Loss aversion phenomena catalyses market transaction (1*6=6; CO1)

2. Given the outcome of the decision taken by the subject in each case, how the subject is going to rationalize the outcome.
 - I. Ms. Haritha always takes her decision about all things, including investments. Of late, she has been getting about five percent lower returns than before.
 - II. Thomas is a painter and has a good cash flow from his sale of paintings. He has been taking the help of investment advisory firm for his investment purposes. In an informal



discussion with his friends, he found that the return for his investment is much lower than his friends who also banked on the advisory services for their investment.

- III. Ms. Sejal with a Lockean bent of mind incurred a huge loss in her investments in the recent past after taking help of advisory services.
- IV. Mr. Vimani has been enjoying his retired life from his late forties. He is a fun-loving fellow and plays mostly outdoor games such as tennis and golf with his acquaintances. His friends advised not to depend on the advisory firm but to manage his own funds. The results were disastrous after following the advice. (1.25*4=5; CO2)

3. The *ceteris paribus* condition is valid along a demand curve. Comment (4, CO1)

4. Dainik Jagaran: Case of Losing Market Share

Dainik Jagran (DJ) is a leading local Hindi newspaper in Bihar and Jharkhand. The price of the newspaper was at par with other local Hindi newspaper in the region. Like other newspapers, it gave a thrust on local news, a page or two on national news and sports news, including local sports coverage in these two states.

Bharat Times of Times Group (BT), renowned national Hindi daily entered the market aggressively with similar pricing strategy about a year back. BT had a higher coverage of local, national, international, business and sports news. Also, there were supplementary papers on different themes for four days in a week.

DJ was slowly losing its market share in both the states and its revenue dwindled, especially in the last six months. The management of DJ realized that it would be difficult to cater to the ardent readers of DJ, in case, the downfall in market share continues along with the downward trend in the advertisement revenue.

The marketing team of DJ approached an Economics Professor in one of the leading Business School in Jharkhand to help them out to arrest the phenomena. He conducted a survey covering 3 cities each in Bihar and Jharkhand using his students. The analysis revealed these key findings:

- The coverage of local city news in Bharat Times was not as good as Dainik Jagaran.
- There has been a loss of readership for most of the local dailies.
- Bharat Times have increased the price by 5 percent in the past one month.
- The price elasticity of DJ and BT is 1.35 and 0.55
- The cross-price elasticity P_{DJBT} and P_{BTDJ} is 1.85 and 0.57

The professor discussed the case in demand measurement class and gave the summary of findings. The students were asked to give a recommendation and strategy for improving the market share.

You are one of the students who has been given the opportunity to give the recommendation. Elaborate the strategy and recommendations supported by adequate reasons for improving the market share of Dainik Jagaran. (5, CO2)