GALGOTIAS UNIVERSITY

ADMISSION NUMBER

School of Business

Master of Business Administration MBA Dual Specialization
Semester End Examination - Aug 2024

Duration : 180 Minutes
Max Marks : 100

Sem I - D1PK106T/MBDS5004 - Managerial Economics

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1)	Jane and Bob are playing a simple game where they can each choose to either cooperate or betray the other. The payoff is highest if both cooperate, but there is a temptation to betray. Determine the Nash equilibrium	K5(5)
2)	Compare oligopoly and duopoly with the help of an example.	K3(6)
3)	Consider smartphones as good. The average income of consumers in a specific country decreases from $40,000 to $35,000 per year. As a result, the quantity demanded for smartphones decreases from 300,000 units to 250,000 units. Examine the Income Elasticity of Demand (YED) and discuss how this information can provide insights into consumer behavior regarding smartphones during an economic downturn.	K4(8)
4)	Make use of diagrams to show the nature of different cost curves in short-run period.	K4(8)
5)	Explain the conditiotions at which a competitive firm will be forced to shut down the business and also make a graph showing shut down point.	K3(9)
6)	Explain the long-run production function with the help of an example and diagram also.	K3(9)
7)	Examine the dead weight loss under monopoly. Also explain , how anti trust legislation help in preventing monopoly?	K5(10)
8)	Mrs. Johnson is a rational consumer with a weekly budget of $50 for grocery shopping. She allocates her budget between two goods: apples (A) and oranges (O). The price of apples is $10 per pound, and the price of oranges is $5 per pound. (1) Draw a graph showing Mrs. Johnson's budget constraint and the indifference curve on the same graph.(6 Marks) (2) Calculate and identify the point of consumer's equilibrium with the help of Indifference curve diagram.(9 Marks)	K4(12)
9)	Apache Footwear India, the manufacturer for Adidas shoes in India, aims to double production of shoes from its special economic zone (SEZ) here to 8 lakh pairs a month by 2014. At present, about four lakh pair of shoes are produced every month from the SEZ, located	K5(15)

in Mambattu village of Nellore district. "We have a target to double the production of shoes to 8 lakh pairs per month by 2014," Apache Footwear General Manager Phillip Chen said. The company's SEZ, spread over 314 acres, recorded a turnover of 240 crore in 2010 and provides employment to about 6,300 people. The company also plans to set up a development centre and supply centre in the state. These centres would help reduce the time taken for production of shoes. "We are expecting that the turnover will increase to 300 crore this year," Chen said, adding that a proposed supplier park will help the firm bring down the lead time for production from two months at present to just five days. Apache exports its shoes mainly to Europe, the US and Russia. Chen said the firm is also trying to convince Adidas to buy raw material from India. "We are importing the entire raw material mainly from China, Vietnam and Indonesia," he added. Germany-based Adidas is a leading sports apparel and equipment manufacturer." Question:

1. Discuss the strategic goals of Apache Footwear India, as stated by General Manager Phillip Chen. Assess the feasibility and potential challenges in doubling shoe production to 8 lakh pairs per month by 2014. (3 Marks)
2. Discuss the significance of Apache Footwear's special economic zone (SEZ) in Mambattu village. Evaluate the impact of the SEZ on the company's production capacity, turnover, and employment generation. (3 Marks)
3. Discuss the plans of Apache Footwear to establish a development center and supply center in the state. Analyze how these centers could contribute to reducing the production lead time and improving overall efficiency. (5 Marks)
4. Investigate Apache Footwear's efforts to convince Adidas to buy raw materials from India instead of importing them from China, Vietnam, and Indonesia. Assess the potential benefits and challenges associated with this strategy. (4 Marks)

10) Case Study: Honda Motor Co.Ltd - Honda Motor Co. Ltd. is a multinational automaker known for producing motorcycles, automobiles, and power equipment. The company is contemplating a significant investment in the development and production of electric vehicles (EVs) to capitalize on the growing demand for sustainable transportation. Current Product Portfolio: Honda is a well-established player in the traditional internal combustion engine (ICE) vehicle market. Market Trend: There is a noticeable shift in consumer preferences towards electric vehicles due to environmental concerns and government incentives promoting sustainable transportation. Investment Decision: Honda is considering investing $500 million in research, development, and production facilities to enter the electric vehicle market. Cost Analysis: The initial fixed costs for research and development are estimated at $200 million.The fixed costs for establishing EV production facilities are estimated at $150 million. The variable costs per electric vehicle are estimated at $15,000, while variable costs for traditional ICE vehicles are $12,000. Selling Price and Projected Sales: The selling price for an electric vehicle is projected to be $40,000, while the selling price for a traditional ICE vehicle is K6(18)

$35,000. Honda aims to capture a significant market share in the electric vehicle segment and expects to sell 50,000 electric vehicles in the first year. Attempt the following questions on the basis of above case study. Questions:

1. Calculate the Total Cost for both the research and development phase and the production phase of the electric vehicle project. (4 Marks)
2. Make a diagram showing the firm's decision about the production level with the help of break-Even Point and in terms of the number of electric vehicles Honda needs to sell to cover its fixed and variable costs. (4 Marks)
3. Analyze the potential profit or loss if Honda achieves its sales target for electric vehicles. Compare it to the profit or loss from the sale of traditional ICE vehicles.(5 Marks)
4. Consider a scenario where the variable cost per electric vehicle increases to $18,000. How does this impact the break-even point and the profitability of the electric vehicle project? (5 Marks)