

INDIVIDUAL COURSEWORK
OBM4404: MANAGERIAL ECONOMICS
MBAODL

GUIDELINE TO STUDENTS:

1. The coursework should be typed using Microsoft word, Times New Roman font, size 12, and appropriately bound. The front cover should bear the name of the University, the module title and the name of the student.
2. The coursework contents page must list the various sub-sections of your answers and their respective page.
3. A reference page must be provided to indicate the source of your reference. The reference page must be in the Harvard format.
4. Plagiarism is dealt with seriously. The coursework must be in your own words. Cut and paste work when detected will result in your work not marked, downgrade of marks or whatever actions deem necessary
5. The coursework shall contribute in part to the **twenty percent (20%)** of the total marks awarded for the module.

6. The general assessment criteria for this coursework is as follows:

Question 1	20 marks
Question 2	40 marks
Question 3	<u>40 marks</u>
TOTAL MARKS	<u>100 marks</u>

In the assessment, marks will be awarded for clarity of thoughts, systematic approach to the questions, appropriate diagrams in support of your answers (in any), appropriate conclusion for each question, quality of presentation and appropriate references.

7. The deadline for submission of this coursework is on **WEEK 5** of the semesters. Strictly no late submission.

Question 1 (20 marks)

Discuss critically the issues faced by government policy makers in their attempts to maintain stable prices, full employment, and adequate economic growth over time.

Question 2 (40 marks)

In each of the following examples, discuss which market model appears to best explain the behaviour described:

- a) Dry weather unexpectedly cut the 2003 soybean harvest by 15 percent, making it the smallest harvest in seven years. China increased its demand for soybeans, acquiring a record 300 million U.S. bushels between September 2003 and April 2004. The Bush administration expected that U.S. farmers would respond to the high prices by planting more soybeans in the next cycle.
(10 marks)
- b) In March 2011, Toyota launched another round of discounts, offering zero percent financing for five-year loans and \$1,000 additional givebacks to customers. Following Toyota's move, Honda increased rebates on certain pickup models from \$1,000 to \$1,500, while Hyundai announced that 2012 minivans would come with a \$1,000 rebate.
(10 marks)
- c) In spring 2009, the U.S. wireless telecommunications industry hoped that mergers among firms would decrease the number of rivals and eliminate cutthroat competition. However, the wireless carriers faced challenges from new technologies and a rush of new entrants into the market. Unlike their counterparts in the traditional phone industry, wireless companies never enjoyed a period of monopoly status.
(10 marks)
- d) Chinese cooking is the most popular food in America that is not dominated by big national chains. Chinese food is typically cooked in a wok that requires high heat and a special stove. Specialized chefs are also required. Small mom-and-pop restaurants comprise nearly all of the nation's 36,000 Chinese restaurants, which have more locations than McDonald's, Burger King, and Wendy's combined.
(10 marks)

Question 3 (40 marks)

You have opened your own word-processing service. You bought a personal computer, and paid \$5,000 for it. However, due to the cost changes in the computer industry, the current price of an equivalent machine is \$2,500. You could sell any used machine for \$1,000. If you were not word processing, you could earn \$20,000 per year at an alternative job. Assume that the interest rate is 10%. You can also hire an assistant who can do everything that you can do for \$20,000 per year (you would still continue to do word processing). One person using one computer can produce 11,000 typed pages per year, and the price per page for your service is \$2.

You are considering three options: (1) expand your business by hiring an assistant, (2) leave your business the way it is, (3) shut down. Based on the costs and revenues above, which should you do? Explain and show any relevant calculations.