HEBERT CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES

DEPARTMENT OF MANAGEMENT AND HOSPITALITY

MASTER OF COMMERCE DEGREE

LEVEL 1 SEMESTER 2

EXAMINATION QUESTION PAPER

MODULE CODE	**MSM620**
MODULE NARRATION	**ECONOMICS**
DATE	**2024**
DURATION	**3 Hours**

INSTRUCTIONS TO CANDIDATES:

1. Answer any four questions
2. Start each question on a fresh page
3. Silent self-powered non-programmable calculators can be used
4. All questions carry equal marks

QUESTION 1

(a) TechnoMobile (Pvt) Ltd. is a mid-sized smartphone manufacturer operating in a highly competitive market. It produces a range of smartphones targeting different customer segments. The company's flagship product is the TechnoX series, which is priced at $600 per unit. TechnoMobile's key competitors include large firms like SmartTech and MobilePro, which offer similar products in the same price range. Despite high product quality and brand recognition, TechnoMobile has been facing declining sales for its flagship model due to increasing competition, changes in consumer preferences, and the introduction of innovative features by competitors. The management team is evaluating different marketing and pricing strategies to increase sales and profitability.

(i) Discuss the factors that TechnoMobile should consider when estimating the price elasticity of demand for its flagship smartphone, the TechnoX. [4 marks]

(ii) Discuss the marketing and pricing strategies that can be implemented by TechnoMobile to realise its goals of increasing sales and profitability. [6 marks]

(iii) How might competitors like SmartTech and MobilePro respond to product differentiation, bundling and price reduction strategies? Use game theory to predict their potential actions and describe how this might influence TechnoMobile's strategy. [6 marks]

(b) Managerial Economics is predominantly microeconomic theory. Discuss. [9 marks]

[Total 25 marks]

QUESTION 2

(a) With the help of worked examples, discuss the difference between Economic Value Added (EVA) and Market Value-Added (MVA). [8 marks]

(b) With the help of a worked example, discuss how managers can use decision trees to make decisions under uncertainty. [8 marks]

(c) Suppose two local suppliers are seeking to win the right to upgrade the communications capability of the internal intranets that link a number of customers with their suppliers. The system quality decision facing each competitor, and potential profit payoffs, are as follows:

If both competitors, Laconic Equipment Supply and Business Systems, pursue a high-quality strategy, Laconic Equipment Supply will earn $25 000 and Business Systems will earn $50 000. If Laconic Equipment Supply pursues a high-quality strategy while Business Systems offers low-quality goods and services, Laconic Equipment Supply will earn $40 000; Business Systems will earn $22 000. If Laconic Equipment Supply offers low-quality goods while Business Systems offers high-quality goods, Laconic Equipment Supply will suffer a net loss of $25 000, and Business Systems will earn $20 000. Finally, if Laconic Equipment Supply offers low-quality goods while Business Systems offers low-quality goods, both Laconic Equipment Supply and Business Systems will earn $25 000.

(i) Find the dominant strategy of Laconic Equipment Supply and Business Systems. [3 marks]
(ii) Find the Nash equilibrium for this problem. [2 marks]
(iii) Explain if there is possibility of the two parties to cooperate. [4 marks]

[Total 25 marks]

QUESTION 3

(a) Discuss the differences between:
   (i) private value and common value auctions. [4 marks]
   (ii) the bidding strategies in private value auctions. [4 marks]
   (iii) simultaneous and zero sum games. [4 marks]

(b) Critically evaluate the Structure-Conduct-Performance (SCP) paradigm and its relevance to modern industries. [13 marks]

[Total 25 marks]

QUESTION 4

(a) Discuss the monetary and fiscal policy measures and strategies that can be used to resuscitate the manufacturing and agricultural sectors in Zimbabwe. [8 marks]
(b) With reference to a specific company of your choice, discuss how international trade, foreign investment, and global competition have influenced managerial practices and business performance. [9 marks]
(c) Explain the reasons for market failure and hence justification for government intervention in market operations. [8 marks]

[Total 25 marks]

QUESTION 5

(a) Discuss the role of capital budgeting in managerial economics. [8 marks]

(b) With reference to a specific company of your choice, discuss the impact of recent macroeconomic policies in Zimbabwe on managerial decision-making and company performance. [8 marks]

(c) Discuss the implications of neoclassical and managerial utility-maximisation models on company performance and decision-making. [9 marks]

[Total 25 marks]

END OF EXAMINATION