

**MANAGEMENT PROGRAMME**

**Term-End Examination, 2019**

**MS-009 : MANAGERIAL ECONOMICS**

**Time : 3 Hours**

**Maximum Marks : 100**

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**Note :** There are two sections, Section A and Section B. Attempt **any three** questions from Section A. Section B is compulsory.

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**SECTION-A**

1. Briefly explain Regression Analysis. Describe Regression equation.
2. What are the determinants of Price elasticity of demand ? Also explain the role of price elasticity in decision-making.
3. Explain Breakeven Analysis. In the equation given below short run total cost function is  $TC=125+3Q+1Q^2$ ; where (TFC=125). Calculate average cost (AC).
4. Explain Price and Output determination under monopolistic competition.

5. Explain the factors determining the nature of competition in a market.

### **SECTION-B**

6. Read the following case and answer the questions given at the end :

When Bill Gates and his friends started Microsoft, it was one of the very few companies that sold nothing but personal computer software, and the other were so small that Microsoft managed either to overtake most of its rivals or at least license their best work or hire away their best programmers. Back then, programmers were scarce and expensive, as were the computers they programmed on.

Microsoft is now involved in almost every aspect of the computer and computer related telecommunications markets and is emerging as a major player in Internet commerce and on-line media ventures.

It controls the operating systems of 90-95% of the personal computers sold on the market. In major software applications, Microsoft has steadily expanded its market share-in the case of word processors from

barely a third of the market in 1995 to over 80% in 1997. It has used its Windows NT server software to rapidly enter the business workstation, client-server and large-scale "enterprise" computing segments. It not only owns operating systems and software applications, but also sells the development tools used by a majority of programmes involved in the industry and has strong dominance of the training programs of information technology professionals. Along with controlling software used by developers, Microsoft is playing an increasing role in their technical education, forging commercial partnerships with both commercial and academic training institutions, while spending millions of dollars subsidising the training cost of computer vendors and professionals in order to tie them into the Microsoft framework.

Microsoft is using both its control of the desktop and its inroads into the server market to leverage control of emerging internet standards and commerce. Its Internet Explorer desktop browser is rapidly overtaking Netscape's software for navigating the Internet. Its purchase of and alliance with a range of audio and video "streaming" technology companies is already assuring

Microsoft a control of the standards for delivery of multimedia over the Net. Its ownership of the Microsoft Network (MSN) and its partnership with NBC in the creation of the MSNBC venture are giving Microsoft strong distribution outlets for its emerging range of media content.

Microsoft has acquired or invested in companies to assure that companies that might have supported a broad range of different systems, including Microsoft competitors, have instead developed breakthrough technology in-line with Microsoft's goals and strategies for dominance. Microsoft has also traded cash and expanded training subsidies to establish equity stakes in a few key vendors who integrate and manage large-scale computer networks for many corporations in order to leverage their strategic position into a bias towards Microsoft systems.

The United States economy is based on the presumption of a free market. This means that individuals and groups are free to do the work they choose to do, provide goods and services of their choice to spend money on the things they want. The government, for the

most part, does not limit the range of goods and services available or set the prices that are charged for them. The amount of money an individual or business can charge for a product is set by the supply and level of demand for that product. Popular products that are scarce will have higher prices than unpopular and readily available products.

A monopoly can set prices artificially high because it has no serious competitors to force it to do otherwise. The Windows operating system is enormously popular, but the potential for a competing firm to provide a similar product exists. In fact, Macintosh is a small but important competitor in the computer and operating system market. Linu has also emerged in recent months as a viable alternative to Microsoft Windows. The entry barriers in the softwars business have become too low than before, and too many skilled software developers are learning that they can earn at least as much working for themselves as they would by working for big software companies.

A federal judge in US had declared that Microsoft Corp. possesses monopoly power in the market for PC

operating systems and harmed consumers through its anti-competitive behaviour, giving the government a pivotal victory in the long-running antitrust trial. The findings represented a major setback to Microsoft, largely because U.S. District Judge Thomas Penfield Jackson rejected the company's defense that its actions have not harmed consumers. "Three main facts indicate that Microsoft enjoys monopoly power," Jackson wrote. "First, Microsoft's share of the market for Intel-compatible PC operating systems is extremely large and stable. Second, Microsoft's dominant market share is protected by a high barrier to entry. Third, and largely as a result of that barrier, Microsoft's customers lack a commercially viable alternative to Windows."

"Microsoft has demonstrated that it will use its prodigious market power and immense profits to harm any firm that insists on pursuing initiatives that could intensify competition against one of Microsoft's core products," Jackson added.

"The ultimate result is that some innovations that would truly benefit consumers never occur for the sole

reason that they do not coincide with Microsoft's self-interest."

Jactice Department officials hailed Jackson's findings as a major victory.

Questions :

- (1) Is Microsoft's market share so massive that it can behave like monopoly ?
- (2) Is Microsoft a good example of deadweight loss to its economy ?
- (3) Do you agree with Jackson or not ?
- (4) Study the recent industry trends and build your own logic on the probable monopoly power of Microsoft at present.

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