Innovative Teaching Pedagogy-SAR

Investment Activity

Faculty Name: Dr. Ajay Massand

Course Title: Managerial Economics

Year and Semester: 2020 Semester I

Activity duration: 30 minutes
Activity Space: Within Classroom
Activity Slot: Within scheduled sessions
Debriefing duration: 10 minutes
Overview: A hypothetical situation of a company is given below. There should be seven students in a group. The following table provides the role and responsibility of the students. Read the situation. Decide on your firm by discussing it among yourself.

Student No	Student Role	Role profile and responsibilities
Student 1	Chairman	To chair board meetings with directors, setting meeting agendas, acting as a direct liaison between the board and the company's management.
Student 2	CEO	To make major corporate decisions and resources of a company.
Student 3	CFO	To manage the financial actions of a company, analyzing financial strengths and weaknesses and proposing corrective actions.
Student 4	Chief Economist	Supervisory and leading class with substantial responsibility for the exercise of independent judgment in employing, discipline, or adjudicating grievances of subordinates.
Student 5	HR Manager	For recruiting, screening, interviewing, and placing workers. She also handles employee relations, payroll, benefits, and training.
Student 6	Production Manager	To monitor production, estimate cost, and prepare budgets.
Student 7	Marketing Manager	To promote and position products and services.

Hypothetical Case:

A company* has to decide on their investment plan that has suffered from shutting down its business for over three months due to pandemic. An MNC has decided to invest in this company for 200 crores and a bank to provide a loan for 100 crores to revive its business.

A company has to buy assets (machinery) for production and need some more human resources to operate it. A machine costs ten crores. Moreover, the company may decide to hire more human resources instead of capital investment. The production ratio of capital-labour (skilled) is 50:1. If a company decides to outsource production, 1 unit cost the company thrice to capital production.

A company may recruit skilled workers that cost the company an average salary of 50,000 per month. However, the company may decide to recruit unskilled workers that cost the company an average salary of 30,000 per month. However, the company has to train these employees for three to six months' duration and pay for their training.

The company expects rising demand for its product in the future. Based on demand forecasting, the company expects to rise of demand by 15% on a month-on-month basis. However, if the company spends on advertising by one crore rupees in the year, the demand may rise by 18%.

The company has the option of investing in its subsidiary that promises the return of 20 percent. The same company has an alternative of investing in a mutual fund that provides approximate returns on 22 percent. Moreover, the MNC investor needs high returns on its investment of 200 crores.

Note:

Students should discuss the hypothetical case according to their roles. The chairman should invite meeting with the other members of the firm and discuss the investment issues. Note that there is no standard answer but you need to justify your answer.

Questions:

Discuss and decide on the available data of the firm.

1. What kind of decisions do you think your firm needs to make in this case?
2. Based on your discussion, what would the firm decides?
3. How do you think Managerial economics can help the firm here?