Note: given the fact that you’re ‘obliged’ to answer the weekly questions, try to profit the most from the task:

- Start by reading the slides (**twice**).

- Then, **leave the notes aside** and answer the questions **(I do not value answers that are transcriptions of the lecture notes).** If you do this, you’ll have to study much less before for the tests.

Hand in the answers **at the beginning of the exam.**

Please write **WEEK 11 + L23 in bold** at the beginning of your answers.

 **Week 11**

**L21: Mergers**

**2.**What is a merger? Illustrate using firms’ balance sheets.

**3.** How does a firm that buys another gets the money to do so?

**4.** What is a takeover? Illustrate using firms’ balance sheets.

**5.** Why may profits rise as a result of a vertical takeover?

**6.** Why may profits rise as a result of a horizontal takeover?

**7.** Give two examples that illustrate that costs may be reduced as a result of a merger between two companies.

**8.** What does ‘bad management’ may involve?

**9.** Why may a company have the incentive to buy another that is badly run? Explain.

10. What is the effect of the permanent possibility of being taken over on the performance of a company?

**11.** What is a tender offer?

**12.** Explain the two things that must happen for a tender offer to succeed.

**13.** What happens to the targeted company’s share price between the date of the tender offer and the date when the shareholders tell how many shares they want to sell? Explain.

**14.** Consider a badly managed company that is bought by another.

**a)** Who gains when the takeover takes place? By how much? Explain.

**b)** Who gains when the performance of the company that is bought improves? By how much? Explain.

**15.** Which sorts of takeovers should be analyzed with suspicion by the Pt Competition Authority? Explain.

**16.** a) Why should the takeover of MEO by Nos have been rejected by the Pt CA?

**b)** Who rejected the takeover?

**17.** a) Why was the purchase of Atlantic Motorways by Brisa rejected?

b) Did that make sense? Explain.

**L22: PD**

18.The decision to lower the price has two opposing effects on the profits of a firm. Which ones?

19. In which way does price discrimination (PD) allows a firm to increase its profits?

20. Why is PD especially practiced in the case of services?

21. Why are new products sometimes launched with very high prices that afterwards are reduced over time?

22.Why are meals at restaurants more expensive at lunchtime than at dinner time?

23. Why do editors create HB and PB versions of books?

24. A specific car model is sold in different versions, varying in the number of features included. Why?

25. Why didn’t third class carriages have roofs two centuries ago in France?

26. Why are the packages of the products of supermarket own brands so awful?

27. Why is wine so expensive at restaurants?

28. What are the two objectives of sales?

29. What happened to BP+R+G when supermarket chains created some petrol stations in Portugal?

30. How did they respond?

31. Which consumers benefited and were harmed by BP+R+G’s response? Explain.

**L23: Products sold in packages + Franchising + two kinds of shops**

**32.** Consider a health club with potential users **all alike**.

a) As far as the gym’s profits are concerned, what are the problems if it charges the same price for each individual session? Illustrate in a graph.

b) Will the health club make more profits if it charges a single price **per session** or a different price per session (a high price for the 1st session of the month, a slightly lower price for the 2nd one, and so on)? Explain. Illustrate referring to the same graph.

c) Will the health club make more profits if it charges a different price per session (a high price for the 1st session of the month, a slightly lower price for the 2nd one, and so on) or a simply a single price per month? Explain. Illustrate referring to the same graph.

**33. a)** Give examples of services sold in packages instead of individually.

b) Would it be possible in any of those services for the firm to obtain the same amount of profits by deploying a different pricing strategy? Explain.

**34.** a) What would be the problem of an electricity company if it charged the typical consumer only a fixed monthly fee equal to her whole willingness to pay (and not a price per kw)? Explain. Illustrate in a graph.

b) What would be the problem of an electricity company if it charged the typical consumer only a price per kw – the monopoly price? Explain. Illustrate referring to the same graph.

c) What would be the problem of an electricity company if it charged the typical consumer only a price per kw – the monopoly price? Explain. Illustrate referring to the same graph.

d) What would be the problem of an electricity company if it charged the typical consumer only a price per kw – a price equal to the unit variable cost? Explain. Illustrate referring to the same graph.

e) What is the advantage for the electricity company **to start** by charging the typical consumer a price per kw equal to the unit variable cost? How should the company explore that advantage? Explain. Illustrate referring to the same graph.

**Franchising:**

**35.** What is McD’s goal when it requires its franchisees (IEs) to follow exhaustive instructions on production methods?

**36.** When McD’s makes the payments of its franchisees equal to a proportion of their revenues:

a) Does it increase the incentive of franchisees to boost their revenues? Explain.

b) Does it gives McD’s any incentive? Explain.

c) Why has McD’s a greater incentive to create restaurants under franchises than to create its own restaurants?

**Two kinds of shops:**

**37.** Why do shoes, clothes and furniture shops tend to be concentrated in specific areas?

**38.** Why do cafés and restaurants tend to spread out across all the neighborhoods of Lisbon?

**39.** a) Why do clothes shops in shopping centers tend to sell more than other clothes shops?

b) **Taking everything into account**, do the entrepreneurs of these shops earn excess profits?