

Seat No.: _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 1 – EXAMINATION – SUMMER 2018**Subject Code: 3519202****Date: 16/05/2019****Subject Name: Economics for Managers****Time: 02:30 PM To 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q. No.	Question Text and Description	Marks
Q.1	(a) How will you define Economics? (b) Explain the concept of Opportunity Cost. (c) Explain the term Repo Rate. (d) Explain the term Reverse Repo Rate. (e) "Rational People look at Margin. Explain. (f) Explain shoe leather cost. (g) What does Law of Demand Indicate.	14
Q.2	(a) Explain the Principles of Economics that come under the head, how people make decisions. (b) Explain the circular flow diagram, what does it say about the functioning of the economy.	07 07
OR		
	(b) Explain the production possibilities frontier, what concepts of economics does it talk about.	07
Q.3	(a) What are the tools that RBI has to control excess money supply in the economy? (b) Economics can be considered as a Science, Justify. Also mention the difference between Positive and Normative Statement,	07 07
OR		
Q.3	(a) What are the determinants of Demand. (b) What are the factors that determine Elasticity of Demand.	07 07
Q.4	(a) Draw the various cost curves and explain the reason for their shapes. (b) What is the relationship between Short Run Average Total Cost and Long Run Average Total Cost.	07 07
OR		
Q.4	(a) Explain the Production and Pricing Decisions under Competitive Market Structure. (b) Explain Prisoner's Dilemma, what does it have to do with Oligopoly Market Structure.	07 07

Cigarette Smoking has become a menace in every country and is affecting our youth and is questioning the well being of our future generations. The Government of India is trying to curb the massive demand of Cigarettes so that we can have a better India. They are implementing various tactics through which the demand and supply can be reduced. The various options they are considering includes, increasing taxes on cigarettes and second option is showing harmful effects of Cigarette consumption.

In Light of the above, answer the following questions:

- (a) What will happen in the market if price is increased and what will happen if advertisements that invoke fear are given. **14**
- (b) Out of the options the government is considering, which do you think is a better option. Answer this question using demand and supply diagrams. How will each option affect equilibrium price and quantity of cigarettes in the market. Use appropriate Justifications to answer. **07**

OR

- Q.5** (a) Why the Phillips Curve is Vertical in the Long Run? **07**
- (b) Explain the effects of a Monetary Injection in the Economy. **07**

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