

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 1 – EXAMINATION – WINTER 2018

Subject Code: 2810002**Date: 26/12/2018****Subject Name: Economics for Managers****Time: 10.30am to 1.30 pm****Total Marks: 70****Instructions:**

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

Q.1 (a) Objective Questions**6**

1. The purchasing power parity theory was propounded by:
A. Alfred Marshall B. David Ricardo
C. Jacob Viner D. Gustav Cassel
2. In the long run
A. All cost will vary B. There are both fixed and variable costs
C. There are only fixed costs D. Firms can not respond to price signals
3. The meaning of the word 'Economic' is most closely connected with the word
A. Extra vagant B. Scarce
C. Unlimited D. Restricted
4. Which of the following are not the characteristics of monopoly
A. Few buyers B. Single producers
C. Homogeneous product D. No entry of a new firm
5. According to Economists, the Philips curve in the long run is
A. Vertical B. Downward sloping
C. Horizontal D. Upward sloping
6. An Economy that interacts with other economies is known as
A. A balanced trade economy B. An export economy
C. An import economy D. An open economy

Q.1 (b) Briefly explain the following**04**

- * Production function
- * Cross Elasticity of demand
- * Inflation
- * Gross domestic product

Q.1 (c) What are the special features of Monopolistic Competition? Compare them with those of monopoly.**04**

- Q.2** (a) Explain briefly the three principles that describes how the economy works as a whole. **07**
- (b) What is GNP?. How does it differ from GDP?. **07**

OR

- (b) From the following data, measure the Total Cost, Average Cost and Marginal Cost. Manufacturer of product X of Indico Pvt. Ltd incurred fixed cost of Rs. 300/-.

<u>Variable cost</u>	<u>Output unit</u>
500/-	1
640/-	2
720/-	3
740/-	4
800/-	5
900/-	6

- Q.3** (a) Explain the three reasons of the Aggregate Demand curve in downward sloping. **07**
- (b) What is the Prisoners Dilemma and what does it have to do with Oligopoly?. **07**

OR

- Q.3** (a) List and describe four Determinants of Productivity **07**
- (b) What is Purchasing Power Parity theory?. Explain its implication with a suitable example. **07**

- Q.4** (a) Explain the concept of Price Discrimination. Why a seller choose follow this in business strategy. **07**
- (b) Use the theory of Liquidity Preference to explain how a decrease in the money supply affects the Aggregate Demand curve. **07**

OR

- Q.4** (a) What is the role of RBI in deciding the monetary policies for the all round development of the Country?. **07**
- (b) Explain how the Consumers Price Index is calculated. Give a suitable numerical example. **07**

- Q.5** A firm supplied 2000 pens at the rate of Rs.18/- per pen to 10 University Stores. Next month due to a rise in the price to Rs. 22.50 per pen, the supply of the firm increases to 5250 pens. Find the elasticity of supply of the pens. **14**

OR

BRIGHT FUTURE OF LED

The **LED lighting market in India** is still not matured. In 2016, the Indian LED market generated revenue of about Rs 20 billion, according to Indian lighting association ELCOMA. It has been predicted that the Indian LED lighting market will grow at a rate of 53% per annum.

Government projects: Currently, the demand for LED lights in India is coming from **government projects** like street lights that many of the Indian states have undertaken. About 27.5 million streetlights across the country are being replaced with LED lights. nother major government project that will distribute retrofit LED lamps among BPL households will majorly boost demand for LED lights in India. LED lamps will be distributed under several government schemes, and it will generate a demand for 300 million retrofit LED lamps over the next three years.

About 770 million incandescent bulbs (normal bulbs that we have been using for years) are sold every year in India and replacing them with LED lights will result in saving 25 billion units of power, annually in India.

Through these projects, the government has ensure that the domestic manufacturers benefit the most, hence, it has mandated that only manufacturers in India who meet the Indian standards would be considered to supply these street lights. Indian standards for LED lights have been formulated keeping in mind the hot, humid, dusty and polluting conditions. Thus, it has been mandated that these LED lights should be made in India to suit the Indian conditions.

Currently, the Indian LED market is flooded with cheap imports as the Indian standards have not yet been made mandatory due to lack of adequate testing laboratories in the country. However, the industry feels that in a year or two, the Indian standards will become mandatory and then the Indian lighting industry will become self-reliant and more lighting manufacturers will start manufacturing LED lights. Industry experts also believe that the CFL market in India has fully matured and, hence, the CFL manufacturing facilities in India have to be utilized for other purposes. So it is all the more possibility for LED lights to be manufactured in these facilities in the coming years. This will give a big push to the demand for LED lights.

Answer the following questions

1. What are the reasons behind success of LED bulbs in India? **(4 Marks)**
2. Draw a demand curve for CFL bulbs. If you consider LED bulbs as a substitute, what will happen to demand of CFL bulbs in the future? Whether demand curve of CFL shift to left or right hand side in the future? **(5 Marks)**
3. What are the challenges associated with success of LED in India? What should manufacturers do to raise consumer awareness? **(5 Marks)**
