

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER 01– • EXAMINATION – SUMMER-2018**

**Subject Code: 2810002****Date: 01/05/2018****Subject Name: Economics for Managers (EFM)****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.** Answer the following:

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1. What is dead weight loss?
2. Differentiate the expansion and increase in supply.
3. What is Purchasing Power Parity?
4. Differentiate real and nominal national income?
5. What is GDP Deflator?
6. What is Iso-quant curve?
7. What is Say's Law of market?

**Q.2.a.** What is elasticity of demand? Explain the various methods of calculating the price elasticity of demand. 7

**Q.2.b.** What do you understand by economies and diseconomies of scale? Explain with some relevant examples. 7

**OR**

**Q.2.b.** What is demand function? Explain the determinants of demand with suitable examples. 7

**Q.3.a.** Price discrimination is possible under monopoly. Explain the concept with reference to the contemporary examples. 7

**Q.3.b.** Following is the cost function of Fresh and Fresh juices. Calculate the TFC, TVC, AFC, AVC, ATC and MC from the following data: 7

|            |     |     |     |     |     |     |     |     |
|------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Output     | 0   | 1   | 2   | 3   | 4   | 5   | 6   | 7   |
| Total cost | 500 | 550 | 580 | 605 | 629 | 650 | 680 | 725 |

**OR**

**Q.3.a.** What happens to the Aggregate demand curve and equilibrium if government increases the expenditure? 7

**Q.3.b.** Consider two goods X and Y. there was no change in price of X, but its demand was seen to fall from 6000 units to 5500 units. On analysis, it was found that price of another commodity Y has increased from 225 to 250. Find out the cross elasticity between X and Y and the relationship between the two goods. 7

**Q.4.a.** What is international trade? What is the trend of India's global trade? 7

**Q.4.b.** What are the methods of measuring National Income Data? Explain the uses of National Income Data with suitable examples. 7

**OR**

**Q.4.a.** explain the concept of diminishing returns to a factor. Analyze that where the rational producer takes the decision to produce. 7

**Q.4.b.** What is consumption function? Explain Keynes's psychological law of consumption. 7

**Q.5. Case Study:**

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**Expanding the Volvo Way**

Indian automobile industry is coming of age as the luxury car market is recovering gradually, thanks to steady economic growth and infrastructure support. In fact, the market has seen total sales of 36,000 units in 2016. The market for luxury cars in India is dominated by Germany companies, with Mercedes Benz as the dominant player, while Audi and BMW have also emerged as strong rivals, along with Tata's Jaguar Land Rover.

Volvo the Swedish car maker owned by China's Geely, inspite of its presence in the country for more than a decade, has been on the peripheries of the luxury car maker, and could manage to sell around 1,600 units in last year. The company aims to achieve 10 percent share in the premium luxury cars segment by 2020 from current 5 percent through new launches, dealership expansion and local assembly facilities. All its major rivals have their facilities in the country; while Mercedes assembles cars from a factory in Pune, BMW has a facility in Chennai and Audi assembles its cars in Aurangabad which is shared with its group company Skoda. Volvo auto India is the only mainstream luxury car market which does not have a local manufacturing, or assembly base, here, on account of which, the company is losing heavily of hefty import duties, running up to a staggering 100-180 percent for importing its vehicles as fully – built units.

Volvo Auto India currently has 9 products on offer in India, and despite bringing them as CBU units, it manages to keep their pricing aggressive. Volvo's product portfolio in India is priced between Rs 26 lakh for the V40 premium hatchback and Rs 1.25 crore for the hybrid version of the XC90 SUV (prices ex- showroom Delhi). The company has launched the all- new S60 Polestar in the country and later this in plans to brings in the V90 Cross Country, which is a crossover mix between estate and SUV sporting same ground clearance of the brand's flagship SUV XC90.

After the launch of the V90 Cross Country in end of Q2 2017, Volvo also aims to launch XC60 in the domestic market, which would arrive sometime later this year or in early 2018. Also on the cards is the XC90 Cross Country. Overall, the Swedish brand targets to cater several segments in the country with its offerings like small sedans, sedans, small SUVs and big SUVs. With an eye on expansion in india, Volvo is planning to set up localized assembly operations so that it can have price competitive products to counter its major rivals and take opportunity of the emerging market for luxury cars.

Tom von Bonsdorff, Managing Director of Volvo Auto India, says, "Our volumes may be low in India, but we have been growing. An assembly operation is being worked upon and may happen soon, once a final decision is taken by the headquarter". For the local assembly unit it is exploring for an Indian partner, though Volvo is unwilling to reveal any details. Assembly operations would not only reduce the cost of production, but also help the company in expansion by producing larger volumes and increased sales in India.

Q.5. (a). Discuss expansion plans of Volvo with respect to advantages of localized operations.

Q.5. (b). Is Volvo looking at increasing returns to scale? Would it eventually face diminishing returns or can it avoid diminishing returns to scale?

OR

Q.5. (a). Explain the characteristics of the Indian automobile Industry with reference to oligopoly market.

Q.5.(b). What are the Strategy of Managing Director of Volvo India?

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