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GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER - (1)– • EXAMINATION – WINTER 2017

Subject Code: 810002   **Date: 30/DEC/2017**
Subject Name: Economics for Managers (EFM)
Time: 10.30 AM TO 01.30 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)** To maintain price stability and to create employment opportunities are two key macro-economic objectives of any country. Can both of these objectives be achieved simultaneously? Is there any trade off between the two in the short run or long run? Elaborate. **07**

(b) The following table shows the demand curve facing a monopolist who produces at a constant marginal cost of 10 units. **07**

Price	27	24	21	18	15	12	9	6	3	0
Quantity	0	2	4	6	8	10	12	14	16	18

(1) What are firm's profit maximizing output and price? What is its profit?
(2) What would the equilibrium price and quantity be in a competitive industry?
(3) What would the social gain be if this monopolist were forced to produce and price at the competitive equilibrium?

Q.2 **(a)** India Sports is a retailer of a wide variety of sports goods and recreational products. Although the market response to the company's spring catalogue was generally good, sales of India Sports Rs 140 deluxe bag declined from 10, 000 to 4,800 units. During this period a competitor offered a Rs. 52 off on their regular Rs 137 price on deluxe bags. **07**

(1) Calculate the arc cross-price elasticity of demand for India Sports deluxe bag.
(2) India Sports deluxe bag sales recovered from 4800 units to 6000 units following a price reduction to Rs. 130 per unit. Calculate India sports deluxe bag arc price elasticity of demand.
(3) Assuming the same arc price elasticity of demand calculated in part (2), determine further price reduction necessary for India Sports to fully recover the lost sales (i.e. regain a volume of 10,000 units).

(b) Explain the circular flow of income model and explain why an economy's income must be equal to its expenditure. **07**

OR

(b) What is production possibility curve and explain the concepts of choice, opportunity cost with the help of a PPC.   **07**

Q.3 **(a)** How CPI is calculated? State the differences between WPI and CPI. Also explain GDP deflator.   **07**

(b) Explain the concepts of (1) Purchasing Power Parity, (2) Real Exchange Rate & Nominal Exchange Rate.   **07**

OR

Q.3 **(a)** What are the various ways of measuring national income? Explain their equivalence.   **07**

(b) What are the difficulties associated with measurement of national income. State the difference between Real and Nominal GDP.   **07**

Q.4 **(a)** What is Prisoner's Dilemma? Explain how oligopoly firms find themselves in a prisoner's dilemma situation.   **07**

(b) What do you understand by consumer surplus & producer surplus? What are the costs associated with Monopoly?   **07**

OR

Q.4 **(a)** What do you understand by equity and efficiency? Is there a tradeoff between equity and efficiency? Explain.   **07**

(b) Explain Shut-down point. Draw the short run supply curve of a firm in perfectly competitive market.   **07**

Q.5 **(a)** What is fiscal- policy multiplier, money multiplier? How do they work on an economy?   **07**

(b) What do you understand by growth and what are the factors underlying growth of an economy, Explain?   **07**

OR

Q.5 **(a)** Define and draw Average Cost, Marginal Cost curves for a typical firm and explain the reason for their shape.   **07**

(b) Explain how monetary policy works in stabilizing an economy going through a recession.   **07**

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