

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 01– • EXAMINATION – WINTER 2015**Subject Code: 810002****Date: 19/12/2015****Subject Name: Economics For Managers****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) Define the price elasticity of demand. Explain important determinant of price elasticity of demand. If demand is unit elastic, how will a decline in price affect total revenue? **07**

(b) Draw a production function that exhibits diminishing marginal product of labour. Draw the associated total-cost curve. Explain the shapes of the two curves you have drawn **07**

Q.2 (a) Explain the circular flow of income model with diagram **07**

(b) What are the determinants of an individual demand and an individual's supply of a commodity? **07**

OR

(b) Draw the marginal cost and average total cost curves for a typical firm. Explain why the curves have the shapes that they do and why they cross where they do. **07**

Q.3 (a) What is prisoner's dilemma and what does it have to do with Oligopoly? **07**

(b) Explain how the higher rate of savings, investment and policy of open economy influence the GDP growth? **07**

OR

Q.3 (a) What are Shut Down point and Exit Point? Explain with diagram in case of firm under perfect competition. **07**

(b) Describe the four components of GDP, giving example of each. **07**

Q.4 (a) Explain the following concepts: **07**

- i. Stagflation
- ii. Crowding out

(b) Explain the difference between nominal and real variables and give two example of each. According to the principle of monetary neutrality, which variables are affected by changes in the quantity of money? **07**

OR

Q.4 (a) Define money. Discuss the role of money in a modern capitalist economy. **07**

Q.4 (b) Describe the economic logic behind the theory of purchasing –power parity. **07**

Q.5 (a) Explain the short run trade-off between inflation and unemployment. **07**

(b) What is government budget deficit? How does it affect interest rate, investment and economic growth? **07**

OR

Q.5 (a) Why are some economists against a target of zero inflation? **07**

(b) Explain why the long – run aggregate supply curve is vertical? **07**
