Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA. Sem-I Remedial Examination April 2010

Subject code: 810002

Subject Name: Economics for Managers

Date: 05 / 04 / 2010 **Time:12.00 noon – 02.30 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) The study of economics has many facets and the field is unified by several central ideas regarding decision making of peoples, their interaction and the working of economy as a whole- Explain. **07**

(b) Write a detail note on production possibilities frontier. **07**

Q.2 (a) The price elasticity of demand determines whether the demand curve is steep or flat - How? You also need to explain all five cases of price elasticity. **07**

(b) Sharad Motors needs an economist, who is conversant with the cost output relationship. In order to test knowledge, the company has designed a small test based on certain cost-output data from its own record. The same are given below. **07**

Q	TC	Arc MC	TFC	TVC	AFC	AVC	ATC
0	250						
10		10					
20							21
30				220			
40	510						
50						6	
60							10
70		6					
80				590			
90						9	

Where Q= output, TC= Total Cost, Arc MC= arc marginal cost, TFC= Total Fixed cost, TVC= Total variable cost, AFC= Average fixed cost, AVC= Average variable cost and ATC= Average total cost

The company requires the candidates to complete the above table. Suppose you are a candidate for the post, using your economics knowledge, complete the table.

OR

(b) How a firm operating in competitive market can maximize its profit in short run? Explain. **07**

Q.3 (a) What is monopoly? Which are the reasons for arising of monopoly situation? **07**

(b) Draw diagrams depicting the long run equilibrium position of monopolistically competitive firm and perfectly competitive firm. How they are different from each other? **07**

OR

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

(b) Why is a monopolist's marginal revenue less than the price of good? Can marginal revenue ever be negative? Explain. **07**

Q.4 (a) Describe the three problems that make the consumer price index an imperfect measure of cost of living. **07**

	(b)	In monopolistic competitive market, how might advertising reduce economic well being? How might advertising increase economic well- being?	**07**

OR

Q.4	**(a)**	Show a consumer's budget constraints and indifference curve for wine and cheese. Show the optimum consumption choice.	**07**
	(b)	Why do economists use real GDP rather than nominal GDP to gauge economic well-being?	**07**
Q.5	**(a)**	Use the theory of liquidity preference to explain how a decrease in the money supply affects the aggregate demand curve.	**07**
	(b)	Why don't banks hold 100 percent reserves? How is the amount of reserves banks hold related to the amount of money the banking system creates?	**07**

OR

Q.5	**(a)**	If a Japanese car costs 500000 Yen, a similar American car costs $10000, and 1$ can buy 100 Yen, what are the nominal and real exchange rates?	**07**
	(b)	Draw the long run trade off between inflation and unemployment. Explain how the short run and long run trade offs are related.	**07**

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