| Seat No.: | | Enrolment No | | |
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| GUJARAT TECHNOLOGICAL UNIVERSITYMBA I - SEMESTER – 01 - EXAMINATION – SUMMER • 2017Subject Code: 2810002Date: 06/05/2017Subject Name: Economics for Managers (EFM)Time: 10.30 AM TO 01.30 PMTime: 10.30 AM TO 01.30 PMTotal Marks: 70 | | | | |
| Instruc 1. Atter 2. Make 3. Figur | tions: npt all e suital res to t | questions. ble assumptions wherever necessary. he right indicate full marks. | | |
| Q.1 | (A) 1 | Multiple Choice Questions , Environmental Degradation and Market Failure all three are interrelated to each other. | | |
| | | a. Internalizing externality | b. Externalities | |
| | 2. | c. Direct government regulations Suppose there is only one factory in a suppose there is only one factory in a suppose there area. And there is a trade un labor in the factory. What kind of marked | d. Price mechanism mall town providing employment for nion which controls the supply of et situation it is? | |
| | 3 | a. Oligopolyc. MonosponyThe numerical co-efficient of perfectly | b. Monopoly d. Bilateral monopoly inelastic demand ED= | |
| | 4 | a. ED=O c. ED<1 Demand for new Wagon R, which is a r most effectively be projected based on the example of | b. ED>1 d. ED=1 nodified version of Old wagon can the sales of the old Wagon, can be | |
| | 5 | a. Substitute Approach c. Evolutionary Approach is a statistical device by which at different periods are calculated and c | b. Opinion Poll Approach d. Sales Experience Approach changes in prices of the same articles omputed. | |
| | 6 | a. Nominal GNP c. GNP deflator Which theory based on law of one price | b. Index number d. Real GNP | |
| Q.1 | (b) 1 | a. The quantity theory of money c Purchasing Power Parity Attempt EACH of the following Explain Production possibility frontier | b. Philip curve d. Inflation | |
| | 2 | Each of the following determines the go1. Corn flex and wheat flex2. Shoes and shoes less3. Train and plane | oods are substitute, complement and unrelated. | |

| | 3 | 4. Tea and shoes | uning a country's National income? | | | |
|------------|------------|--|---|---|--|--|
| | 4 | What is 'triple identity' in measuring a country's National income? | | | | |
| Q.1 Q.2 | (c) (a) | What are the three important | function of money. | 4 | | |
| | | What is demand? discuss the normal goods. | determinates that influence the demand of | 7 | | |
| Q.2 | (b) | Draw a circular flow of diagram. Identify the parts of that model that correspond to the flow of goods and services and the flow of rupees for each of | | | | |
| | | the following activities; | | 7 | | |
| | | a. Kunal pay Rs 65 for a litre of petrol | | | | |
| | | b. Kunal earn Rs. 250 per hour working at a hair-salon. | | | | |
| | | c. Smith earn Rs 5 lakhs from his 10% of J Carlo Company | | | | |
| 0^{2} | (b) | Or What is Cross Domestic Product? What does it indicate? How does it differ | | | | |
| Q.2 | (0) | from Gross National Product? What does it indicate? How does it differ | | | | |
| Q.3 | (a) | Explain in brief an Individual competitive firms short run supply curve is the portion of its marginal cost curve that equals or rises above the average variable cost | | | | |
| Q.3 | (b) | A furniture company incurs a fixed cost of 200 and the following variable cost. Calculate AFC, AVC and ATC for each quantity. What is the efficient scale of the painting company? | | | | |
| | | Quantity of House Furnish per month | Variable Cost(Rs) | | | |
| | | 1 | 10 | | | |
| | | 2 | 20 | | | |
| | | 3 | 40 | | | |
| | | 4 | 80 | | | |
| | | 5 | 160 | | | |
| | | 6 | 320 | | | |
| | | 7 | 640 | | | |

Or

| Q.3 | (a) | Why Monopolies Arise? Discuss comparison between Monopoly and | |
|---------|-----|--|---|
| | | competition. | 7 |
| Q.3 | (b) | What is "prisoner's Dilemma" and what does it have to do with Oligopoly? | 7 |
| Q.4 (a) | | Write short note on following | 7 |
| | | 1. The Sticky Price Theory & The Sticky-Wage Theory | |
| | | 2. Real Exchange Rate & Nominal Exchange Rate | |
| Q.4 | (b) | Explain How each of the following will affect the SRAS. | 7 |
| | | 1. An increase in wage rates - | |
| | | 2. A beneficial supply shock - | |
| | | 3. An increase in the productivity of labour | |
| | | 4. A decrease in the price of oil. | |
| | | Or | |
| Q.4 | (a) | Explain in details types of Money. | 7 |
| | | | |

Q.4 (b) Why is inflation like a tax? How does inflation affect the rate of Interest?Q.5

DeBeers, is the south African Diamond company. The company was founded in1888 by Cecil, Rhodes, an English businessman(and benefactor for the Rhodes scholarship), when he merged two of the biggest mines in the country. Rhodes then proceeded to use his profits to continue buying mines, consolidating his market power. Today, DeBeers control about 80% of the world's production of diamonds. Although the firm's share of the market is not 100%, it is large enough to exert substantial influence over the market price of diamonds.

The answer depends in part on whether there are close substitutes for its product. If people view emeralds, rubies, and sapphires as good substitutes for diamonds, then DeBeers has relatively little market power. In this case, any attempt by DeBeers to raise the price of diamonds would cause people to switch to other gemstones. But if people view these other stones as very different from diamond, then DeBeers can exert substantial influence over the price of its product.

DeBeers pays for large amounts of advertising. At first, this decision might seem surprising. One goal of the DeBeers ads is to differentiate diamonds from other germs in the mind of consumers. When their slogan tells you that "a diamond is forever" you are meant to think that the same is not true for emeralds, rubies and sapphires. If the ads are successful, consumers will view diamonds a unique, rather than as one among many gemstones, and this perception will give Q.1 How much market power does DeBeers have?

Q.2 If a monopoly is the sole seller of its product, why does it need to advertise?

Or

Q.5 Henry Ford was an industrial visionary. As founder of the ford Motor company, he was responsible for introducing modern techniques of production. Rather than building cars with small terms of skilled craftsmen, ford built cars on assembly lines in which unskilled workers were tough to performs the same simple tasks over and over again. The output of this assembly process was the Model T ford, one of the most famous early automobiles.

In 1914, ford introduced another innovation: the 5\$ workday. This might nnot seem like much today, but back then 5\$ was about twice the going wage. It was also far above the wage that balanced supply and demand. When the new \$5-a-day wage was announced, long lines of job seekers formed outside the Ford factories. The number of workers willing to work at this wage far exceeded the number of workers Ford needed.

Ford high-wage policy had many of the effects predicted by efficiency-wage theory. Turnover fell, absenteeism fell and productivity rose. Workers were so much more efficient that Ford's production costs were lower even though wage were higher. Thus, paying a wage above the equilibrium level

was profitable for the firm. Henry Ford himself called the 5\$ - -day wage "one of the finest costcutting moves we ever made."

Historical accounts of this episode are also consistent with efficiency-wage theory. An historian of the earl Ford Motor Company wrote, "Ford and his associates freely declared on many occasions that the high-wage policy turned out to be good business. By this meant that it had improved the discipline of the workers, given them a more loyal interest in the institution, and raised their personal efficiency."

Q.1 Why did it take Henry Ford to introduce this efficiency wage?

Q.2 Why were other firms not already taking advantage of this seemingly profitable business strategy?