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## GUJARAT TECHNOLOGICAL UNIVERSITY MBA - SEMESTER-I • EXAMINATION – SUMMER • 2014

Date: 21-05-2014 Subject Code: 2810002 **Subject Name: Economics for Manager (EFM)** Time: 14.30 pm - 17.30 pm **Total Marks: 70 Instructions:** 1. Attempt all questions. 2. Make suitable assumptions wherever necessary. 3. Figures to the right indicate full marks. Explain with reasons the concepts of 'movement along the demand curve' and **07**  $\mathbf{Q.1}$  (a) 'movement of the demand curve'. List and Explain the factors causing a shift in demand curve. (b) Describe the concept of Equilibrium Firm and explain the short run price and **07** output determination of a firm under monopolistic competition. Define Price Elasticity of Demand and explain the factors affecting price 07 0.2 elasticity of demand with its managerial implications in determining the price of a product. Explain the economic model of Circular Flow of Income and Expenditure and 07 **(b)** explain how disequilibrium between income and expenditure affects the general price level of the economy. Explain the nature of demand curve diagrammatically in perfect competition, 07 Monopolistic competition, monopoly and oligopoly. How this feature of market helps in pricing decisions of a firm. Explain the following concepts Q.3(a) 1. Average cost & Marginal Cost with the help of table and diagram 03 2. GDP and its Components 04 Define Cost of Living Index. Explain the steps in the calculation of Cost of 07 Living Index. State the problems involved in its calculation. Write short notes: 1. Price Leadership 2. Liquidity Preference Theory 0.3 (a) 03+04Define Inflation. Suggest with justification appropriate fiscal and monetary 07 measures used to control inflation in a developing economy. **Q.4** (a) Define Price Discrimination. Under which circumstances this business strategy 07 becomes possible and profitable Explain the Principle of Effective Demand. Explain the process of determination 07 of aggregate output and aggregate income in the economy. OR What are the determinants of Aggregate Demand Function and Aggregate Supply 0.4 07 Function? Explain the effects of these determinants in ADF and ASF. What is the Prisoners Dilemma? Explain how it helps in explaining the **07 (b)** oligopolistic behavior. Q.5 (a) Under which economic condition the aggregate demand need to be increased? 07 Explain the various fiscal and monetary measures to increase the aggregate demand in the economy. Define 'Returns to Scale'. Explain various economies and diseconomies of scale. 07 OR 07 0.5 Explain the short run trade-off between inflation and unemployment. (a) Define GDP and explain how it is influenced by higher rate of savings, 07 investment and policy of open economy.

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