Seat No.: _____ Enrolment No._____

# GUJARAT TECHNOLOGICAL UNIVERSITY

**MBA - SEMESTER–I • EXAMINATION – WINTER • 2014**

**Subject Code: 810002** **Date: 24-12-2014**

**Subject Name: Economics for Managers (EFM)**

**Time: 10:30 am - 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 equilibrium of a market with the help of a diagram. Describe the forces that move a market towards its equilibrium diagrammatically. | **07** |
| | **(b)** | 'An advance in farm technology increases the supply of wheat, and thus the price of wheat falls.' Explain the statement with the help of a diagram. | **07** |
| **Q.2** | **(a)** | What is price elasticity of demand? Explain briefly four determinants of price elasticity of demand. | **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. | **07** |
| | | **OR** | |
| | **(b)** | Define Economies of Scale and Diseconomies of Scale. Elaborate why each of them might arise along with examples. | **07** |
| **Q.3** | **(a)** | 'Policy-makers in the government can respond to the problem of monopoly in few ways'. Explain the statement, in light of the various public policies towards monopolies. | **07** |
| | **(b)** | For a Competitive firm show the following two conditions diagrammatically: (i) Firm with profits (ii) Firm with losses | **07** |
| | | **OR** | |
| **Q.3** | **(a)** | 'Co-operation between two prisoners caught against a crime is difficult to maintain because co-operation is individually irrational.' Elucidate the statement explaining Prisoner's dilemma. | **07** |
| | **(b)** | Draw a diagram of the long-run equilibrium in a Monopolistically Competitive market and explain it. | **07** |
| **Q.4** | **(a)** | List the four components of GDP, giving an example of each of them. | **07** |
| | **(b)** | Describe some forms of government spending that represent consumption and some forms that represent investment. | **07** |
| | | **OR** | |
| **Q.4** | **(a)** | Explain the relationship among Savings, Investment and Net Capital Outflow. | **07** |
| | **(b)** | 'The Consumer Price Index is not a perfect measure of the cost of living'. In the light of the statement highlight the problems with the CPI as an index. | **07** |
| **Q.5** | **(a)** | Discuss the central bank's tools of monetary control. | **07** |
| | **(b)** | Write note on: (i) Inflation Tax (ii) 'Most macroeconomic quantities fluctuate together'. | **07** |
| | | **OR** | |
| **Q.5** | **(a)** | Discuss in detail why the Aggregate- Demand curve might shift. | **07** |
| | **(b)** | Elucidate the statement: 'Policy-makers face a trade-off between inflation and unemployment, and the Philips Curve illustrates that trade-off'. | **07** |

**********