

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 1 – EXAMINATION – WINTER 2016

Subject Code: 2810002

Date: 31/12/2016

Subject Name: Economics for Managers

Time: 10.30 a.m. to 01.30 p.m.

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) Attempt the following multiple choice questions

06

- 1) Which of the following principles of Mankiw explains 'inflation'
 - a People face trade-offs
 - b Rational people think at the margin
 - c Price rise when the government prints too much money
 - d The cost of something is what you give up to get it
- 2) An increase in the demand for a good will cause _____
 - a An increase in equilibrium price and quantity
 - b A decrease in equilibrium price and quantity
 - c A decrease in equilibrium price and an increase in equilibrium quantity
 - d None of them
- 3) Real GDP is measured in _____ prices, while Nominal GDP is measure in _____ prices.
 - a Foreign; domestic
 - b Current year; base year
 - c Base year; current year
 - d Intermediate; final
- 4) The Long run Phillips curve is _____
 - a Upward sloping
 - b Downward sloping
 - c Vertical
 - d None of these
- 5) An Oligopoly market has _____
 - a One Seller many buyers
 - b Many sellers many buyers
 - c Few Sellers many buyers
 - d One Seller few buyers
- 6) Just like Federal Reserve of the USA, in India monetary policies are governed by _____
 - a State Bank of India
 - b Bank of Baroda
 - c South Indian Bank
 - d Reserve Bank of India

- Q.1 (b)** Do as directed. **04**
1. Give one point of differentiation between Macro and Micro Economics
 2. Give two examples Of firms observing Monopolistic competition in India
 3. Define Income Elasticity of demand
 4. One point of differentiation between Inferior and Normal goods

- Q.1 (c)** Explain the law of demand with a suitable diagram **04**

- Q.2 (a)** What is the law of Supply? What are the determinants of Supply? **07**
- (b)** Explain the role of Prisoners' Dilemma in understanding an Oligopoly market. What does the Nash's equilibrium indicate? **07**

OR

- (b)** I) Parthivi spends 30% of her income on branded footwear. Find out her income elasticity of demand. **02**

II) As per available statistics, demands of airline tickets made by business travellers and vacationers to Goa are as per table mentioned below. **05**

Price of Airline tickets from Mumbai to Goa (Rs.)	Quantity of tickets demanded (business travelers)	Quantity of tickets demanded (Vacationers)
1500	2100	1000
2000	2000	800
2500	1900	600
3000	1800	400

When the price rises from Rs.2,000 to Rs.2,500 , what is the price elasticity of demand for
(a) Business travellers (b) Vacationers
(Use midpoint method to calculate)

- Q.3 (a)** List and explain the four components of GDP. Why are shares and stocks not included in GDP calculations? **07**
- (b)** What is CPI? What are the steps involved in calculating CPI. **07**

OR

- Q.3 (a)** 'Baker's Island' an imaginary country produces only two items as mentioned below **07**

Year	Price per Packet of Bread (in Rs.)	Quantity of Bread Packets produced	Price per Packet of Biscuits (in Rs.)	Quantity of Biscuit packets produced
2013	10	120	12	200
2014	12	200	15	300
2015	14	180	18	275

Based on the above information:-

Calculate nominal GDP, real GDP and the GDP deflator for the each year using 2013 as the base year

- (b) What are the features of firms in a competitive market? Under what conditions will the firms (1) Shut down temporarily and (2) Exit the market 07

- Q.4 (a) Explain three reasons behind Aggregate Supply's upward sloping curve 07
- (b) What is money? What are the functions of money? How does a Central bank control money supply in the economy ? 07

OR

- Q.4 (a) Explain the short run trade-off between inflation and unemployment using the Phillips curve. When does the Phillips curve become vertical? 07
- (b) List and describe four determinants of productivity 07
- Q5 (a) Fill in the blanks in the following table 07

Quantity	TFC	TVC	TC	MC	AFC	AVC	ATC
1	100	50					
2				50			
3						40	
4			270				
5							70

- (b) Explain Nominal and Real Exchange Rates and the concept of Purchasing Power parity with suitable example. 07

OR

- Q.5 Read the following Case and answer the questions given at the end 14

BRIGHT FUTURE OF LED

The **LED lighting market in India** is still not matured. In 2013, the Indian LED market generated revenue of about Rs 20 billion, according to Indian lighting association ELCOMA. It has been predicted that the Indian LED lighting market will grow at a rate of 53% per annum by year ending 2015-16.

Government projects: Currently, the demand for LED lights in India is coming from **government projects** like street lights that many of the Indian states have undertaken. About 27.5 million streetlights across the country are being replaced with LED lights.

Another major government project that will distribute retrofit LED lamps among BPL households will majorly boost demand for LED lights in India. LED lamps will be distributed under several government schemes, and it will generate a demand for 300 million retrofit LED lamps over the next three years.

About 770 million incandescent bulbs (normal bulbs that we have been using for years) are sold every year in India and replacing them with LED lights will result in saving 25 billion units of power, annually in India.

Through these projects, the government has ensure that the domestic manufacturers benefit the most, hence, it has mandated that only manufacturers in India who meet the Indian standards

would be considered to supply these street lights. Indian standards for LED lights have been formulated keeping in mind the hot, humid, dusty and polluting conditions. Thus, it has been mandated that these LED lights should be made in India to suit the Indian conditions.

Currently, the Indian LED market is flooded with cheap imports as the Indian standards have not yet been made mandatory due to lack of adequate testing laboratories in the country. However, the industry feels that in a year or two, the Indian standards will become mandatory and then the Indian lighting industry will become self-reliant and more lighting manufacturers will start manufacturing LED lights. Industry experts also believe that the CFL market in India has fully matured and, hence, the CFL manufacturing facilities in India have to be utilized for other purposes. So it is all the more possibility for LED lights to be manufactured in these facilities in the coming years. This will give a big push to the demand for LED lights.

Answer the following questions

- 1) What are the reasons behind success of LED bulbs in India?
- 2) Draw a demand curve for CFL bulbs. If you consider LED bulbs as a substitute, what will happen to demand of CFL bulbs in the future? Whether demand curve of CFL shift to left or right hand side in the future?
- 3) Explain the market structure in which LED bulbs fall? State whether it is Monopoly, oligopoly or monopolistic competition.
- 4) What are the challenges associated with success of LED in India? What should manufacturers do to raise consumer awareness?
