

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER-I • EXAMINATION – SUMMER • 2014

Subject Code: 810002

Date: 21-05-2014

Subject Name: Economics for Managers

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.

- Q.1** (a) Discuss three principles of economics concern the talks about how people interact **07**
(b) What is prisoner's dilemma and what does it have to do with Oligopoly? **07**

- Q.2** (a) Explain the production possibility frontier **07**
(b) What causes a movement along the demand curve? What causes a shift in the demand curve? **07**

Using Demand-and-supply diagrams show the effect a fall in production of sugarcane on the price and quantity of sugar during the Diwali months (when demand for sugar increases).

OR

- (b) Omega enterprise has the following cost schedule. Calculate the AVC, ATC & MC. **07**
Compare the column for Average Total Cost and the column for the marginal Cost. Explain the relationship between ATC and MC

Quantity	0	10	20	30	40	50	60	70
Variable cost	0	400	700	930	1100	1400	1900	2500
Total cost	1000	1400	1700	1930	2100	2400	2900	3500

- Q.3** (a) Explain with diagram price determination under perfect competition, if a competitive firm is in short run equilibrium. **07**
(b) Explain the concept of price discrimination. Why a seller chooses to follow this business strategy? Give two examples of price discrimination. **07**

OR

- Q.3** (a) Draw the demand, marginal revenue and marginal – cost curves for a Monopolist. Show the profit maximizing level of output & price. **07**
(b) Differentiate between long-run equilibrium under perfect competition and long-run equilibrium under monopolistic competition. **07**

- Q.4** (a) Below are some data for an X economy, which produces only two goods A & B. Calculate Nominal GDP, Real GDP & GDP Deflator for each year, using 2010 as a base year **07**

Year	Price of A	Qty. of A	Price of B	Qty. B
2010	Rs.1	150	Rs.2	100
2011	Rs.2	200	Rs.3	150
2012	Rs.3	250	Rs.4	200

- (b) What is indifference curve? Explain the four properties of indifference curve. **07**

OR

- Q.4 (a)** Explain how the higher rate of savings, investment and policy of open economy influence the GDP growth? **07**
- Q.4 (b)** How interest rate is determined? Explain the effect of following policy changes on market interest rate. (i)saving incentives (ii)investment incentives **07**
- Q.5 (a)** Explain the available supply shock. Use the model of aggregate demand and aggregate supply to explain the effects of such a shock of economic system. Draw appropriate diagram. **07**
- (b)** Give an example of a Govt. policy that acts as an automatic stabilizer. Explain why the policy has this effect **07**

OR

- Q.5 (a)** Answer the following; **07**
1. Explain three key facts about economic fluctuation
 2. Explain The Sticky Price Theory & The Sticky-Wage Theory
- (b)** Given the unpopularity of inflation, why doesn't the government always support efforts to reduce inflation? Many economists believe that countries can reduce the cost of disinflation by letting their central banks make decision about monetary policy without interference from politicians. Why might this be so? **07**
