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**

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