Seat No.: _____   Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER– I EXAMINATION – WINTER 2019

Subject Code: 4519202   **Date: 26-12-2019**
Subject Name: Economics for Manager
Time: 10:30 AM TO 1.30 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 Answer the following questions in brief: 14
   a) What are the characteristics of Monopolistic competitive market? Give few live examples.
   b) Discuss 'collusion' and 'cartel' with respect to an Oligopoly market.
   c) Define the Law of Demand with an example.
   d) Discuss any Three Principles of Economics.
   e) What is GDP?
   f) Discuss in brief any two tools of monetary control by the country's central bank.
   g) Real Interest Rate and Nominal Interest Rate

Q.2 (a) Define the price elasticity of demand and the income elasticity of demand. List and explain the determinants of the price elasticity of demand.   **07**
Q.2 (b) Do you think Prisoner's Dilemma is relevant in today's modern economy? Explain the role of Prisoners' Dilemma in understanding an Oligopoly market.   **07**

OR

Q.2 (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 drawn.   **07**

Q.3 (a) What is Consumer Price Index and how is it calculated? What are the problems in measuring the CPI?   **07**
Q.3 (b) What is meant by a Competitive market? Why do you think competitive firms stay in business even if they make zero economic profits in the long-run. Elucidate your answer with a graph.   **07**

OR

Q.3 (a) Show and explain the dead-weight loss from monopoly. What do you think policy makers in the government can do to solve the problem of monopoly.   **07**

Q.3 (b) Imagine that a country produces only the following two products as mentioned below:

Year	Price per Packet of Bread (in Rs.)	Quantity of Bread Packets produced	Price per Packet of Cookies (in Rs.)	Quantity of Cookie Packets produced
2015	20	140	22	200
2016	22	220	25	300
2017	26	200	28	250

Based on the above information:

Calculate Nominal GDP, Real GDP and the GDP Deflator for each year using 2015 as the Base Year.   **07**

Q.4 (a) Define Aggregate Demand and Aggregate Supply. Discuss the reasons why the Aggregate Demand curve is downward sloping.   **07**

Q.4 (b) What is the relation between level of prices and the value of money? What is the effect of an increase in the money supply through monetary injection on the price level and value of money?   **07**

<div align="center">**OR**</div>

Q.4 (a) Discuss the following two terms: **07**
   (i) The Multiplier effect   (ii) The Crowding-out effect

Q.4 (b) When does the Phillips curve become vertical? Discuss in detail the short run trade-off between inflation and unemployment using the Phillips curve.   **07**

Q.5 CASE-STUDY

Read the case below and answer the questions that follow:
<div align="center">**Case: Using Demand and Supply Analysis**</div>
Assume there is a well-defined geographic area of a city. The area is composed exclusively of apartments and is populated by low-income residents. The people who live in the area tend to stay in that area because (i) they cannot afford to live in other areas of the city, (ii) they prefer to live with people of their own ethnic group, or (iii) there is discrimination against them in other areas of the city. Remember, rents paid are a very high percent of peoples' incomes.

Read the case above and answer the questions that follow:

Q.5 (a) would the demand for apartments in this area be relatively inelastic or relatively elastic? State why. Also state whether the supply of apartments in this area be relatively inelastic or relatively elastic? State your reasons.   **(07)**

Q.5 (b). Assume the government creates a rent supplement program. Under this program, the renter is required to pay 30% of income in rent. Any additional rent is paid by the government --- up to a limit. For example, a low-income person with an income of Rs.10,000 a month would be required to pay Rs. 3000 in rent (30%). If the rent is Rs.5000, the residual Rs. 2000 would be paid by the government. Analyze the results of this program on the demand/supply of apartments in the area. Show the changes on the graph and explain what will result. Who gains and who loses from this program?   **(07)**

<div align="center">**OR**</div>

Q.5 (a) Would the demand and supply of apartments in this area be elastic or inelastic? Draw the demand and supply curves as you have described them, showing the initial equilibrium price and quantity. Label carefully.   **(07)**

Q.5 (b) Assume that the government decides to provide a building subsidy to builders who build apartments in this low-income area. A certain percent of their costs will be paid by the government. Analyze the results of this program in the supplies/ demand of the apartments in the area. Show the results on the graph and explain what will result.   **(07)**

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