

**GUJARAT TECHNOLOGICAL UNIVERSITY****MBA – SEMESTER - I – EXAMINATION – WINTER 2021****Subject Code:4519202****Date: 14/03/2022****Subject Name: Economics for Manager****Time:10:30 AM TO 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 Define the following:** **14**
1. Opportunity Cost
  2. Inferior Goods
  3. Price Discrimination
  4. Externalities
  5. Real and Nominal GDP
  6. Real Exchange Rate
  7. Aggregate Demand
- Q. 2 (a)** Discuss the principles of economics pertaining to individual decision making. **07**
- Q. 2 (b)** What is Price elasticity of demand, Income elasticity of demand and Cross elasticity of demand? How does price elasticity influence total revenue of a firm? **07**
- OR**
- Q.2 (b)** What is Economies of Large Scale Production? Explain with help of appropriate examples and diagram. **07**
- Q.3 (a)** What is Dead Weight Loss? How does it affect societal welfare? **07**
- Q.3 (b)** i. Suppose the technology to manufacture computers improves but due to some recession in the economy, the income of consumers falls. Assuming computers to be a normal good, How will the equilibrium quantity and price for computers be affected in this case?
- ii. Computers and software are complements. Draw a supply and demand diagram to show what happens to price, and quantity in the market for software. Should software producers be happy or sad about the technological advance in computers?
- Explain your answer with help of appropriate diagram. **07**
- OR**
- Q. 3 (a)** Identify the similarities and differences between Perfect Competition and Monopolistic Competition. **07**
- Q.3 (b)** Two Firms, X and Y, compete by price. Each can choose either low price or high price. The following payoff table shows the profit (in thousands of rupees) each firm would earn in each of the four possible decision situations: **07**

		<b>Firm X</b>	
		Low Price	High Price
<b>Firm Y</b>	Low Price	Rs. 200 Rs. 500	Rs. 600 Rs 600
	High Price	Rs. 100 Rs. 1200	Rs. 400 Rs. 1000

- a. Is there a dominant strategy for Firm X? If so, what is it? Why?
- b. Is there a dominant strategy for Firm Y? If so, what is it? Why?
- c. What is the likely pair of decisions? What payoff will each receive?

**Q.4 (a)** Explain the reasons why aggregate demand curve is downward sloping. **07**

**Q.4 (b)** The Finance minister Nirmala Sitharaman announced a booster package of Rs. 20,000 crores for the Real Estate Sector. Explain how is this expected to help the economy to overcome current economic slow down. (Assume that MPC is 0.8) **07**

**OR**

**Q.4 (a)** What is Purchasing Price Parity? Explain its implication with a suitable example **07**

**Q.4 (b)** Below are some data for an X economy, which produces only two goods A & B. **07**

Year	Price of A	Quantity of A	Price of B	Quantity of B
2015	Rs. 10	150	Rs. 20	100
2016	Rs. 20	200	Rs. 30	150
2017	Rs. 30	250	Rs. 40	200

Calculate Nominal GDP, Real GDP & GDP Deflator for each year, using 2015 as a base year

**Q.5** Last six months have experienced a lot of movements in the international crude oil market that raised concern among many analysts. The price of oil hit its highest level in October 2018 reaching \$80 per barrel, since November 2014. The US president Donald Trump's decision to unilaterally exit the nuclear deal with Iran caused sanction on Iranian oil exports resulting falling crude exports from Iran. Iran produces around 4% of global oil supplies or about 2.4 million barrels a day (mb/d). In 2012 world experienced similar fall in export by around 1.2 mb/d from this Middle Eastern producer when sanctions were imposed causing crude price to soar to \$ 110 per barrel. This year political upheaval in Venezuela and Algeria have also been reasons for concern as crude oil production of these countries remain depressed and exports from these countries fell by 36 mb/d and 14 mb/d respectively contributing their share in the price rise.

This time around will be different as the European Union has said it will not be forcing sanctions on Tehran and will continue to trade oil products from Iran. Saudi Arabia, the world's biggest oil exporter, has already said it will work to fill any gap left by Iran. Global oil supplies has started growing rapidly from October 2018 onwards as record output from Saudi Arabia, Russia and the US more than offsets declines from Iran and Venezuela. Output from Non-OPEC countries have also increased in the last two months that has helped in controlling the oil price back to \$ 68.2 per barrel. As a sigh of relief, US waived sanctions for eight importing Iranian crude.

The market turned bearish also because of forecast of slowing demand by the end of October 2018. As per the monthly report of November 2018 by International Energy Agency (IEA) Oil demand is slowing in several non-OECD countries, as the impact of higher year-on-year prices is amplified by currency devaluations and slowing economic activity.

Oil being a key product, volatility in international market is a matter of concern for several other markets. Electric moped segment in the Two Wheeler Vehicles market is one of such markets that have direct effect. The demand for electric moped in India had jumped by 7.5 percentage in 2012 when the domestic petrol prices had increased from Rs. 72 per liter to Rs. 82.8 per liter in just ten months time span between June 2013 to April 2014. Though the market for petrol is considered to be inelastic, consumers in the market are not homogeneous. Difference in consumers behavior can be explained by two drivers - Magan and Hasan – each drive up to a petrol pump. Before looking at the price each places an order. Magan says, “I’d like 10 liters of petrol.” Hasan says, “I’d like Rs. 500 worth of petrol no matter what is the market price”. This is a useful information for the manufacturers of electric mopeds.

**Que.** Identify factors responsible (demand side and supply side) for volatility in the international petrol prices of the recent times and its probable impact on the market price. Draw separate diagrams (demand-supply model) for each of the factor to explain your answer. **14**

**OR**

- (a) What is the cross elasticity of demand for electric mopeds? **07**
- (b) Comment on the nature of elasticity of demand for petrol for Magan and Hasan. Who according to you is a potential consumer for Electric Mopeds? **07**
-