Seat No.: _____   Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER –I-EXAMINATION – WINTER-2022

Subject Code: 4519202   **Date: 22/02/2023**
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.
4. **Use of simple calculators and non-programmable scientific calculators are permitted.**

Q.1	Do as directed (Attempt all)	**14**

  1. Explain Opportunity Cost Principle
  2. Define Purchasing Power Parity
  3. Explain one point of difference between Macro and Micro Economics
  4. Draw circular flow of income diagram (just draw, don't explain in detail)
  5. Differentiate between Shoe leather Costs and Menu Costs
  6. Explain Velocity of Money with an equation
  7. Explain Crowding-out Effect

Q.2	**(a)**	Explain the law of demand. What are some of the exceptions of the law of demand?	**07**
Q.2	**(b)**	Explain the steps involved in calculating Consumer Price Index	**07**

OR

	(b)	Given the following table:	**07**

Price of good 'X'	Quantity of X demanded
1.50	600
1.75	550
1.88	500
2.00	450

What is the price elasticity of demand for X between price 1.75 and 2.00? State whether the good is elastic or not .(Use Point method or Midpoint method to calculate the elasticity)

Q.3	**(a)**	Explain the 'Economies' and 'Diseconomies' of Scale. How are they caused?	**07**
	(b)	What is a Natural Monopoly? Also explain the concept of 'Dead Weight Loss'.	**07**

OR

Q.3	**(a)**	What is prisoners' dilemma, and what does it have to do with oligopoly market?	**07**
	(b)	Why is advertising and branding extremely important for a monopolistically competitive market? Why is advertising not possible in a perfectly competitive market?	**07**

Q.4	**(a)**	List the four components of GDP. Give an example of each.	**07**
	(b)	Reserve Bank of India uses various tools to control Money Supply. Discuss any three tools used by RBI	**07**

Q.4 **(a)** List and determine four determinants of productivity. **07**

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

Q.5 **(a)** Explain three reasons behind Upward Sloping Aggregate Supply curve. **07**

(b) Attempt the questions assuming Gujarat, where majority of people consumer groundnut oil. Also assume that quality is uniform for all varieties of groundnut oil used for cooking.

(1) Is the demand for groundnut oil relatively elastic or relatively inelastic with respect to the price? Explain why. **01**

(2) Is the demand for groundnut oil relatively elastic or relatively inelastic with respect to income? Explain why. **01**

(3) On the graph, draw the demand and supply curves for market for groundnut oil in Gujarat. Show the equilibrium price and quantity. (Just draw the diagram. Do not scale) **01**

(4) During festive season, the demand for groundnut oil shifts to the right. Why has this occurred? Show with a diagram of Shift in the demand curve **01**

(5) People in cities of Gujarat have become health conscious. How does it affect the equilibrium of groundnut oil in Gujarat? **01**

(6) Do you think people will switch over to other forms of cooking oil from Groundnut oil? Why? **02**

OR

Q.5 **(a)** The table below shows the output and the prices of 'Shah-Jahanabad-A small Island country' in 2017 and in 2018. **07**

Goods produced	2017 price	2017 quantity	2018 price	2018 quantity
Pizza	Rs 2	400	Rs.2.20	400
Cheese	Rs. 6	200	Rs.8	250
Sunglasses	Rs 20	80	Rs.25	100

1) Calculate Shah-Jahanabad's nominal GDP in (1) 2017 and (2) 2018
2) Calculate Shah-Jahanabad's real GDP in 2018 using 2017 as base year
3) Calculate the GDP Deflator in year 2018

Q.5 **(b)** Consider the following cost information for 'Mother's Cookies' **07**

Quantity	Fixed Cost (Rs.)	Variable Cost (Rs)	Total Cost (Rs.)	AFC (Rs.)	AVC (Rs.)	ATC (Rs.)	MC (Rs.)
0		0	30				
1			50				
2					15		
3							30

Calculate AFC, AVC, ATC and MC for missing values of 'Mother's Cookies'

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