Seat No.: _____ Enrolment No.______

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA. Sem-I Regular / Evening Examination January/ February 2011

Subject code:810002 **Subject Name: Economics For Manager**

Date: 31 /01 /2011 **Time: 10.30 am – 01.00 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)**	Draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram.	**07**
	(b)	Use a graph to demonstrate the circumstances that would prevail in a competitive market where firms are earning economic profits. Can this scenario be maintained in the long run? Carefully explain your answer	**07**
Q.2	**(a)**	What is the difference between a "change in demand" and a "change in quantity demanded"? Graph your answer. Also Explain what factor/s will cause “change in demand” and what factor/s will cause “change in quantity demanded”	**07**
	(b)	Explain the three main reasons responsible for monopoly.	**07**
		OR	
	(b)	Explain price elasticity of demand and the income elasticity of demand. Also explain the determinants of the price elasticity of demand.	**07**
Q.3	**(a)**	Explain the following terms for oligopoly market (i)indeterminateness of demand curve (ii) interdependence of firms	**07**
	(b)	What is income effect and substitution effect caused by a change in the price of a good?	**07**
		OR	
Q.3	**(a)**	List out four components of GDP. Give an example of each.	**07**
	(b)	What are the problems in measuring the cost of living?	**07**
Q.4	**(a)**	Why is productivity related to the standard of living? In your answer be sure to explain what productivity and standard of living mean. Describe determinants of productivity.	**07**
	(b)	How interest rate is determined? Explain the effect of following policy changes on market interest rate. (i)saving incentives (ii)investment incentives	**07**
		OR	
Q.4	**(a)**	Explain the concept of multiple creation of deposits under fractional reserve system.	**07**
	(b)	According to the fisher effect, how does an increase in the inflation rate affect the real interest rate and the nominal interest rate?	**07**
Q.5	**(a)**	Discuss why aggregate demand curve is downward sloping.	**07**
	(b)	Using Demand-and-supply diagrams show the effect of a fall in production of sugarcane on the price and quantity of sugar during the Diwali months (when demand for sugar increases).	**07**
		OR	
Q.5	**(a)**	Use the theory of liquidity preference to explain how a decrease in the money supply affects the aggregate-demand curve	**07**
	(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**

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