Seat No.: __________ **Enrolment No.____________**

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA Semester –I Examination Dec'11- Jan'12

Subject code: 810002 **Date: 28/12/2011**
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) A demands Schedule for pens of student at ABC school is presented in the following table: 7

Price Rs.	6	5	4	3	2	1	0
Qx	0	20	40	60	80	100	120

Find out the price elasticity of demand when the price changes from

(i) Rs. 5/- to Rs. 3/- and (ii) Rs. 3/- to Rs. 5/-

Q. 1 (b) Explain the concept of price discrimination. Why a seller chooses to follow this business strategy? Give two examples of price discrimination. 7

Q. 2 (a) Draw a consumers indifference curves for Pepsi and Pizza. Describe and explain four properties of this indifference curve. 7

Q. 2 (b) Describe the four components of GDP. Give an example of each. 7

OR

Q.2 (b) What is resale price maintenance and why is it controversial? 7

Q. 3 (a) John's own a painting company with fixed of $200 and the following schedule for variable costs. 7

Quantity of Houses	1	2	3	4	5	6	7
Painted per month	10	20	40	80	160	320	640

Calculate average fixed cost, average variable cost and average total cost for each Quantity.

Q. 3 (b) Explain with diagram price determination under perfect competition, if a competitive firm is in short run equilibrium. 7

OR

Q. 3 (a) What is the Prisoner's Dilemma and what does it have to do with Oligopoly. 7

Q. 3 (b) Explain the relationship among saving, investment and net-capital outflow. 7

Q.4 (a) Explain why the long – run aggregate supply curve is vertical? 7

Q. 4 (b) Explain how does population growth affects a society. 7

OR

Q.4 (a) What is the role of the financial system? Name and describe two markets that are part of the financial system in the US economy. 7

Q.4 (b) Write a short note on the Crowding –out effect. 7

Q. 5 (a) Define money. Discuss the role of money in a modern capitalist economy. 7

Q. 5 (b) Write a note on the Volcker Disinflation. 7

OR

Q. 5 (a) Write your comments on "Should fiscal policymakers reduce the govt. debt". 7

Q.5 (b) Define consumers surplus and producer surplus. Write a note on its utility for business decisions. 7

****