Seat No.: _____          Enrolment No._____

# GUJARAT TECHNOLOGICAL UNIVERSITY
## MBA - SEMESTER–I • EXAMINATION – WINTER 2013

**Subject Code: 2810002**                                    **Date: 27-12-2013**
**Subject Name: Economics for Manager**
**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)** Draw the circular flow diagram and explain why an economy's income   **07**
        must equal to its expenditure.
    **(b)** Discuss why aggregate demand curve is downward slopping.              **07**

**Q.2** **(a)** What is the income effect and substitution effect caused by a change in   **07**
        the price of a good?
    **(b)** Define price elasticity of demand and the income elasticity of demand.   **07**
        Explain the significance of thee concepts in an Automobile Industry.
                                    **OR**
    **(b)** What is the difference between "change in demand and change in   **07**
        quantity demanded"? What are the factors which determine "change in
        demand" and change in quantity demanded"

**Q.3** **(a)** Distinguish between monopoly and monopolistic competition.            **07**
    **(b)** What is the prisoner's dilemma and what does it have to do with   **07**
        Oligopoly?
                                    **OR**
**Q.3** **(a)** Explain economies and diseconomies of scale and explain why they   **07**
        arise?
    **(b)** Discuss why competitive firms stay in business if they make zero   **07**
        economic profit.

**Q.4** **(a)** What are the problems in measuring the cost of living?               **07**
    **(b)** Write a detail note on Production Possibility Frontier.                 **07**
                                    **OR**
**Q.4** **(a)** Why the concept of real GDP is more famous than the concept of   **07**
        nominal GDP amongst the economists?
**Q.4** **(b)**      Discuss the Purchasing Power Parity theory.                    **07**

**Q.5** **(a)** Explain the role of Fiscal Policy influencing aggregate demand.      **07**
    **(b)** Explain the impact of inflation on various sections of society.        **07**
                                    **OR**
**Q.5** **(a)** Is it always possible to achieve the two macroeconomic goals of low   **07**
        inflation and low unemployment?
    **(b)**      Distinguish between Real Exchange Rate and Nominal Exchange   **07**
        Rate.

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