

GUJARAT TECHNOLOGICAL UNIVERSITY**MBA - SEMESTER-I • EXAMINATION – WINTER • 2014****Subject Code: 810002****Date: 24-12-2014****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) Define the equilibrium of a market with the help of a diagram. Describe the forces that move a market towards its equilibrium diagrammatically. **07**
- (b) 'An advance in farm technology increases the supply of wheat, and thus the price of wheat falls.' Explain the statement with the help of a diagram. **07**
- Q.2** (a) What is price elasticity of demand? Explain briefly four determinants of price elasticity of demand. **07**
- (b) Draw a Production Function that exhibits Diminishing Marginal Product of labour. Draw the associated Total Cost Curve. Explain the shapes of the two curves. **07**
- OR**
- (b) Define Economies of Scale and Diseconomies of Scale. Elaborate why each of them might arise along with examples. **07**
- Q.3** (a) 'Policy-makers in the government can respond to the problem of monopoly in few ways'. Explain the statement, in light of the various public policies towards monopolies. **07**
- (b) For a Competitive firm show the following two conditions diagrammatically: **07**
- (i) Firm with profits (ii) Firm with losses
- OR**
- Q.3** (a) 'Co-operation between two prisoners caught against a crime is difficult to maintain because co-operation is individually irrational.' Elucidate the statement explaining Prisoner's dilemma. **07**
- (b) Draw a diagram of the long-run equilibrium in a Monopolistically Competitive market and explain it. **07**
- Q.4** (a) List the four components of GDP, giving an example of each of them. **07**
- (b) Describe some forms of government spending that represent consumption and some forms that represent investment. **07**
- OR**
- Q.4** (a) Explain the relationship among Savings, Investment and Net Capital Outflow. **07**
- (b) 'The Consumer Price Index is not a perfect measure of the cost of living'. In the light of the statement highlight the problems with the CPI as an index. **07**
- Q.5** (a) Discuss the central bank's tools of monetary control. **07**
- (b) Write note on: (i) Inflation Tax **07**
- (ii) 'Most macroeconomic quantities fluctuate together'.
- OR**
- Q.5** (a) Discuss in detail why the Aggregate- Demand curve might shift. **07**
- (b) Elucidate the statement: 'Policy-makers face a trade-off between inflation and unemployment, and the Philips Curve illustrates that trade-off'. **07**
