

Kadi Sarva Vishwavidyalaya
M.B.A. (Sem. I) Examination, January 2013
Economics for Managers (CC 101)

[Duration – 2 Hours 30 minutes]

[Weightage – 40 %]

Instructions:

- (a) This is a closed book examination.
 (b) Figures to the right indicate the weightage of respective question.

- Q-1 (A)** Explain the followings. 4%
 1. Price discrimination
 2. Economic profit
 3. Real GDP
 4. Commodity money
- (B)** Discuss the following principles in detail: 4%
 (a) Government can sometime improve market outcomes
 (b) Trade can make everyone better off
 (c) Rational people think at margin
 (d) People face trade off
- OR**
- (B)** Define the equilibrium of the market. Describe the forces that move a market towards its equilibrium. 4%

- Q-2 (A)** What is price elasticity of demand? How it is calculated? Explain the following situations of price elasticity with diagram. 4%
 (a) Elasticity is equal to infinity
 (b) Elasticity is equal to zero
 (c) Elasticity is greater than 1.
 (d) Elasticity is less than 1.
 (e) Elasticity is equal to 1
- (B)** Sharad Motors needs an economist, who is conversant with the cost output relationship. In order to test knowledge, the company has designed a small test based on certain cost-output data from its own record. The same are given below. 4%

Q	TC	Arc MC	TFC	TVC	AFC	AVC	ATC
0	250						
10		10					
20							21
30				220			
40	510						
50						6	
60							10
70		6					
80				590			
90						9	

Where Q= Output, TC= Total Cost, Arc MC= Arc marginal cost, TFC= Total Fixed cost, TVC= Total variable cost, AFC= Average fixed cost, AVC= Average variable cost and ATC= Average total cost

The company requires the candidates to complete the above table. Suppose you are a candidate for the post. Using your economics knowledge, complete the table.

OR

- Q-2** (A) Describe the problems that make the consumer price index an imperfect measure of the cost of living. **4%**
 (B) What are the reserve requirements? What happens to the money supply when the Central Bank of a country raises reserve requirement. **4%**

- Q-3** (A) In the long run, monopolistic competitive firm is different from perfectly competitive firm, mainly on the bases of two criteria, excess capacity and markup over marginal cost. Draw diagrams showing comparison between the situations in both of this market structures and explain the reason for the same. **4%**
 (B) According to the fisher effect, how does an increase in the inflation rate affect the real interest rate and the nominal interest rate? **4%**

OR

- Q-3** (A) Describe the economic logic behind the theory of purchasing power parity. You also need to explain the limitations of this theory. **4%**
 (B) Explain the reasons why the aggregate demand curve is downward sloping. **4%**

- Q-4** (A) "There is always a conflict between self interest and cooperation in oligopoly market. Even though cooperation is in favor of the players they give priority to their self interest and ultimately suffer loss for themselves and market as a whole." –Comment. **4%**
 (B) In competitive market, explain the conditions of temporary shut down and exit in detail. **4%**

OR

- Q-4** (A) Use the theory of liquidity preference to explain how a decrease in the money supply affects the aggregate demand curve. **4%**
 (B) Explain how sellers' costs, producer surplus and the supply curve are related. **4%**

- Q-5** (A) Below are the data from the country of Barcelona: **4%**

Year	Price Per Basket Ball	Quantity Of Basket Ball	Price Per Cricket Bat	Quantity Of Cricket Bat
2010	15 Rs.	200	10 Rs.	75
2011	20 Rs.	250	12 Rs.	100
2012	25 Rs.	300	14 Rs.	125

1. Compute nominal GDP, real GDP, and the GDP deflator for each year, using 2010 as the base year.
2. Compute the percentage change in nominal GDP, real GDP, and the real GDP deflator in 2011 and 2012 from the preceding year.

(B) Suppose that your demand schedule for T-Shirt is as follow:

4%

Price	Quantity Demanded (Income = 12000)	Quantity Demanded (Income = 15000)
5	20	25
8	16	22
11	12	19
14	8	16
17	4	13

a. Use the midpoint method to calculate your price elasticity of demand as the price of T-shirt increases from 5 to 8 (i) Your income is 12000 and (ii) Your income is 15000.

b. Use the midpoint method to calculate your income elasticity of demand as your income rise from 12000 to 15000 if (i) the price is 14 and (ii) the price is 17.

Kadi Sarva Vishwavidyalaya
M.B.A. (Sem. I) Examination, April 2014
Economics for Managers (CC 101)

Dt: 23-4-14

[Duration – 2 Hours 30 minutes]

[Weightage – 40 %]

Instructions:

- (a) This is a closed book examination.
 (b) Figures to the right indicate the weightage of respective question.

- Q-1 (A)** Explain the followings. 4%
 1. Price discrimination
 2. Implicit Cost Vs Explicit Cost
 3. Consumer Price Index
 4. Real GDP Vs Nominal GDP

- (B)** Discuss the following principles in detail: 4%
 (a) Society faces a short run tradeoff between inflation and unemployment
 (b) People Respond to Incentives
 (c) People face trade off
 (d) The cost of something is what you give up to get it

OR

- (B)** “Neither demand nor supply alone can determine the price. The price is determined by the interaction of both”- Explain. 4%

- Q-2 (A)** What is price elasticity of supply? How it is calculated? Explain the following situations of price elasticity with diagram. 4%
 (a) Elasticity is equal to infinity
 (b) Elasticity is equal to zero
 (c) Elasticity is greater than 1.
 (d) Elasticity is less than 1.
 (e) Elasticity is equal to 1

- (B)** A commercial fisherman notices the following relationship between hours spent fishing and the quantity of fish caught: 4%

Hours	Quantity of Fish (in Kg.)
0	0
1	10
2	18
3	24
4	28
5	30

- a. What is the marginal product of each hour spent fishing?
 b. The fisherman has a fixed cost of Rs. 10 (his pole). The opportunity cost of his time is Rs 5 per hour. Graph the fisherman's total cost curve. Explain its shape.

OR

- Q-2 (A)** Explain the meaning of nominal interest rate and real interest rate with suitable example and state that how they are related to each other. 4%
(B) What are the costs of inflation? Which of these costs do you think are most important for the Indian economy? 4%

- Q-3** (A) "Even though the firm is suffering loss, some time it feels desirable to continue in the business in perfectly competitive market for short run" Explain. 4%
- (B) According to the fisher effect, how does an increase in the inflation rate affect the real interest rate and the nominal interest rate? 4%

OR

- Q-3** (A) What is purchasing power parity? How does it work? You also need to explain the limitations of this theory. 4%
- (B) What is aggregate demand curve? Explain the reasons why the aggregate demand curve is downward sloping. 4%

- Q-4** (A) "There is always a conflict between self interest and cooperation in oligopoly market. Even though cooperation is in favor of the players they give priority to their self interest and ultimately suffer loss for themselves and market as a whole." --Comment. 4%
- (B) "A monopolist can either determine the price or the quantity, not both at same time." Discuss. 4%

OR

- Q-4** (A) Use the theory of liquidity preference to explain how a decrease in the money supply affects the aggregate demand curve. 4%
- (B) In a supply and demand diagram, show and explain producer and consumer surplus in the market equilibrium. 4%

- Q-5** (A) In the year 2010, the economy produces 100 loaves of bread. That sells for Rs. 2 each. In the year 2011, economy produces 200 loaves of bread and sells for Rs 3 each. Calculate Nominal GDP, Real GDP and the GDP deflator for each year (Use 2010 as the base year). 4%

- (B) Suppose that your demand schedule for T-Shirt is as follow: 4%

Price	Quantity Demanded (Income = 12000)	Quantity Demanded (Income = 15000)
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- b. Use the midpoint method to calculate your income elasticity of demand as your income rise from 12000 to 15000 if (i) the price is 14 and (ii) the price is 17.

Kadi Sarva Vishwa Vidyalaya, Gandhinagar
MBA – Semester – I – December 2014 Examination
Economics For Managers (CC 101)

22.12.14

Weightage: 40%

Duration: 2½ Hours

Instructions:

- 1 Make assumptions wherever necessary and state them clearly
- 2 Working notes must form part of your answers
3. Figures to the right indicate weightage

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|-----------|-----|---|----|
| Q-1 | (A) | Explain the following terms.
1. Economic Profit
2. Credit Creation
3. Real GDP
4. Phillips Curve | 4% |
| | (B) | Discuss the following principles.
1) Society faces a short run tradeoff between inflation and unemployment
2) Trade can make everyone better off | 4% |
| OR | | | |
| | (B) | ‘The efficiency of a nation is explained with the help of the production possibility frontier.’ Explain the statement with necessary assumptions and its importance. | 4% |
| | | | |
| Q-2 | (A) | What is elasticity? Explain different types of elasticity with the help of example. | 4% |
| | (B) | Explain the effect of following on price and quantity with the help of diagrams.
(a) Increase in demand and decrease in the supply
(b) Decrease in demand and increase in supply | 4% |
| OR | | | |
| Q-2 | (A) | Market Equilibrium is the condition where producers’ & consumers’ surplus is maximum. - Explain. | 4% |
| | (B) | Explain the concept of economies & diseconomies of scale with its causes. | 4% |
| | | | |
| Q-3 | (A) | Despite of having a unique product, Why a monopolist faces a downward sloping demand curve. - Discuss. | 4% |
| | (B) | Give an example of perfectly competitive market and explain the condition of profit in it. | 4% |
| OR | | | |
| Q-3 | (A) | “There is always a conflict between self interest and cooperation in oligopoly market. Even though cooperation is in favor of the players they give priority to their self interest and ultimately suffer loss for themselves and market as a whole.” –Comment. | 4% |
| | (B) | In the long run, monopolistic competitive firm is different from perfectly competitive firm, mainly on the basis of two criteria, excess capacity and markup over marginal cost. Draw diagrams showing comparison between the situations in both of this market structures and explain the reason for the same. | 4% |

- Q-4 (A) How do wages affect labor supply? Draw a diagram and show income and substitution effects. Which effect is higher in both cases? 4%
- (B) What is inflation? Describe the methods used to calculate the inflation in a country? Which are the main problems that make the consumer price index an imperfect measure of the cost of living? 4%

OR

- Q-4 (A) Explain the role of shift in aggregate demand and shift in aggregate supply on short run economic fluctuations. 4%
- (B) Write a note on influence of Monetary Policy on Aggregate Demand. 4%

- Q-5 (A) Sharad Motors needs an economist, who is conversant with the cost output relationship. In order to test knowledge, the company has designed a small test based on certain cost-output data from its own record. The same are given below. 4%

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