

Seat No.: _____

Enrolment No. _____

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

Subject code: 2810002

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) Differentiate between long-run equilibrium under perfect competition and long-run equilibrium under monopolistic competition. **07**
- (b) The price of coffee increases from Rs.50/ per Kg. to Rs. 70/per Kg, and as a result the demand for tea increases from 5Kg. to 10kg. What is the cross elasticity of demand of tea for coffee? **07**

- Q.2** (a) Explain how the Consumer's Price Index is calculated. Describe the difference between the Gross Domestic Product Deflator and the Consumers Price Index. **07**
- (b) Prestige restaurant has the following cost schedule. **07**

Quantity	0	10	20	30	40	50	60	70
Variable cost	0	400	700	930	1100	1400	1900	2500
Total cost	1000	1400	1700	1930	2100	2400	2900	3500

Calculate the AVC, ATC & MC.

Compare the column for Average Total Cost and the column for the Marginal Cost. Explain the relationship

OR

- (b) Draw the long run trade-off between inflation and unemployment. Explain how the short-run and long run trade-off are related. **07**
- Q.3** (a) Explain why Aggregate Demand Curve slopes downward? **07**
- (b) Explain the available supply shock. Use the model of aggregate demand and aggregate supply to explain the effects of such a shock of economic system. Draw appropriate diagram. **07**

OR

- Q.3** (a) Discuss three principles of economics concern the working of economy as a whole. **07**
- (b) Explain the concept of Price Discrimination. Why a setter chooses to follow this business strategy? **07**

- Q.4 (a)** Below are some data for an X economy, which produces only two goods A & B. **07**

Year	Price of A	Qty. of A	Price of B	Qty. B
2008	\$1	150	\$2	100
2009	\$2	200	\$3	150
2010	\$3	250	\$4	200

Calculate Nominal GDP, Real GDP & GDP Deflator for each year, using 2008 as a base year

- (b)** What is the Theory of liquidity preference? How does it help explain the downward slop of the aggregate demand curve? **07**
- OR**
- Q.4 (a)** Describe the four Determinants of Productivity. **07**
- (b)** Define Nominal Exchange Rate & Real Exchange Rate and explain how they are related. **07**
- Q.5 (a)** What is the Prisoners Dilemma & What does it have to do with Oligopoly? Give Example other than Oligopoly to show how the Prisoners Dilemma helps to explain behavior. **07**
- (b)** What are the Determinants of Supply? **07**
- OR**
- Q.5 (a)** Write a note on Volckers Disinflation. **07**
- (b)** What is Production Functions? How does long run production function differ from a short run production function? **07**
