

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA - SEMESTER-I • EXAMINATION – SUMMER • 2014**

**Subject Code: 2810002****Date: 21-05-2014****Subject Name: Economics for Manager (EFM)****Time: 14.30 pm - 17.30 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)** Explain with reasons the concepts of ‘movement along the demand curve’ and ‘movement of the demand curve’. List and Explain the factors causing a shift in demand curve. **07**
- (b)** Describe the concept of Equilibrium Firm and explain the short run price and output determination of a firm under monopolistic competition. **07**
- Q.2 (a)** Define Price Elasticity of Demand and explain the factors affecting price elasticity of demand with its managerial implications in determining the price of a product. **07**
- (b)** Explain the economic model of Circular Flow of Income and Expenditure and explain how disequilibrium between income and expenditure affects the general price level of the economy. **07**
- OR
- (b)** Explain the nature of demand curve diagrammatically in perfect competition, Monopolistic competition, monopoly and oligopoly. How this feature of market helps in pricing decisions of a firm. **07**
- Q.3 (a)** Explain the following concepts
1. Average cost & Marginal Cost with the help of table and diagram **03**
  2. GDP and its Components **04**
- (b)** Define Cost of Living Index. Explain the steps in the calculation of Cost of Living Index. State the problems involved in its calculation. **07**
- OR
- Q.3 (a)** Write short notes: 1. Price Leadership 2. Liquidity Preference Theory **03+04**
- (b)** Define Inflation. Suggest with justification appropriate fiscal and monetary measures used to control inflation in a developing economy. **07**
- Q.4 (a)** Define Price Discrimination. Under which circumstances this business strategy becomes possible and profitable **07**
- (b)** Explain the Principle of Effective Demand. Explain the process of determination of aggregate output and aggregate income in the economy. **07**
- OR
- Q.4 (a)** What are the determinants of Aggregate Demand Function and Aggregate Supply Function? Explain the effects of these determinants in ADF and ASF. **07**
- (b)** What is the Prisoners Dilemma? Explain how it helps in explaining the oligopolistic behavior. **07**
- Q.5 (a)** Under which economic condition the aggregate demand need to be increased? Explain the various fiscal and monetary measures to increase the aggregate demand in the economy. **07**
- (b)** Define ‘Returns to Scale’. Explain various economies and diseconomies of scale. **07**
- OR
- Q.5 (a)** Explain the short run trade-off between inflation and unemployment. **07**
- (b)** Define GDP and explain how it is influenced by higher rate of savings, investment and policy of open economy. **07**

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