

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER-1 • EXAMINATION – SUMMER 2016

Subject Code: 810002

Date: 13/05/2016

Subject Name: Economics for Managers (EFM)

Time: 10.30 AM TO 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) Explain the components of GDP. Give one example of each **07**
(b) Simply draw the table and graph with statistics indicating TFC, TVC, AFC, AVC, ATC Total cost and Quantity of production. **07**

- Q.2** (a) Differentiate between Income effect and substitution effect caused by change in price of a commodity? **07**
(b) List and explain the three theories for why the short run aggregate supply curve is upward sloping **07**

OR

- (b) Use a production possibility frontier to describe the idea of “Efficiency”? **07**
- Q.3** (a) Ink pens and pencil are substitutes. When the prices of an ink pen falls, What happens to the supply, demand, quantity supplied, and price in the market for pencils? **07**
(b) State the demand of following to be elastic or inelastic? Why? **07**
1. Painting of Picasso
2. Medicines in U.K
3. Milk
4. BMW

OR

- Q.3** (a) Explain the economic logic behind purchasing power parity. **07**
(b) What is liquidity preference? How does it helps to explain downward slope of demand curve. **07**
- Q.4** (a) What do you understand with prisoner’s dilemma? How can you relate it to oligopoly market. **07**
(b) What is a government budget deficit? ? How does it affect interest rates, investment, and economic growth? **07**

OR

- Q.4** (a) Why don’t banks hold 100 percent inventives? How is the amount of reserves banks hold related to the amount of money the banking system creates? **07**
(b) What are the costs of Inflation? Explain any two costs of inflation **07**
- Q.5** (a) Explain the difference between nominal and real variables and give two examples of each. According to the principle of Monetary Neutrality, Which variable are affected by changes in the quantity of money? **07**
(b) How might Advertising reduce economic wellbeing? How might advertising increase economic well being? **07**

OR

- Q.5** (a) Draw the long run trade –off between inflation and unemployment. Explain how short run and long run trade off are interrelated **07**
(b) List and explain the three theories for why the short run aggregate supply curve is Downward sloping **07**
