

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA-SEMESTER-I-EXAMINATION-SUMMER-2025

Subject Code: MB01092021**Date: 31/05/2025****Subject Name: Economics for Managers****Time: 02:30 PM TO 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

Q. No.	Question	Marks
Q.1.	Explain the following terms:	
a.	The Law of Demand	2
b.	Inferior Goods	2
c.	Inflation	2
d.	Natural Monopoly	2
e.	Price Discrimination	2
f.	Real GDP	2
g.	Aggregate Demand	2
Q.2.	Explain the ten principles of economics in brief.	7
(a)		
Q.2.	In each of the following cases, state whether price elasticity of demand is	7
(b)	(i) Perfectly elastic (ii) Perfectly inelastic (iii) Relatively elastic (iv) Relatively inelastic	
	a. An increase in demand for rooms at a luxury resort during the summer vacation leads to a huge jump in room tariffs for rooms.	
	b. The price for petrol and diesel is same during festival periods when demand is high or during COVID-19 pandemic when demand is low.	
	c. Less people want to fly during July than during any other month of the year. The airlines cancel about 10% of their flights as ticket prices fall about 20% during this month.	
	d. Owners of vacation homes in Switzerland rent them out during the summer. Due to the slump in the economy this year, a 30% decline in the price of a vacation rental leads more than half of homeowners to occupy their vacation homes themselves during the summer.	
	Use diagrams also to explain your answer.	
	OR	
Q.2.	Analyse economies of scale in the cell phone industry using examples of	7
(b)	production and marketing economies.	

- Q.3.** What is Dead Weight Loss? How does it affect societal welfare? 7
(a)
- Q.3.** Two firms in the automobile industry have the following two options: (i) 7
(b) Reduce output and cooperate with other firm
 (ii) Increase output and not cooperate with the other firm

Firm	Firm B	Reduce Output	Increase Output
Firm A	Reduce Output	A gets \$5000 B gets \$5000	A gets \$1000 B gets \$8000
	Increase Output	A gets \$8000 B gets \$1000	A gets \$2000 B gets \$2000

What is the dominant strategy for Firm A and Why?
 What is the dominant strategy for Firm B and Why?
 What is the likely Nash equilibrium in the strategy?

OR

- Q.3.** Explain the difference between monopolistic competition and perfect 7
(a) competition using examples of two industries where each one is prevalent.
- Q.3.** Explain diagrammatically the cost-output relationship during short run. 7
(b) Following is the cost-output table of a French company producing perfumes with a Fixed Expenditure of US \$ 2000. Complete the table with TFC, AFC, AVC, ATC and MC.

Quantity	0	10	20	30	40	50	60	70
Variable Cost in US \$	0	800	1400	1860	2200	2800	3800	5000

- Q.4.** Explain the three theories for why the short-run aggregate supply curve is 7
(a) upward sloping. Use examples to support your answer.
- Q.4.** Discuss why the long-run aggregate supply curve might shift. 7
(b)

OR

- Q.4.** Suppose that the economy is in a long-run equilibrium. 7
(a) (i) Draw a diagram to illustrate the state of the economy. Be sure to show aggregate demand, short-run aggregate supply and long-run aggregate supply.
 (ii) Now suppose that outbreak of pandemic overseas causes aggregate demand to fall. Use your diagram to show what happens to output and the price level in the short-run. What happens to the unemployment rate?
 (iii) Use the sticky-wage theory of aggregate supply to explain what will happen to output and price level in the long-run.
- Q.4.** Discuss how monetary policy influences aggregate demand. 7
(b)
- Q.5.** Read the case carefully and answer the following questions.

In a study titled ‘Phillips Curve: The Indian Case’, two economics students Dhar and Ghosh trace the presence of Phillips curve in India for both short run and long run. Their study estimates the short-run and long run trade-off between inflation and unemployment for the Indian economy over the period 1991-2021. In this study, researchers have used time series data on unemployment (in percentage) and inflation (in percentage) for India from the years 1991 to 2021. They have used data for the past 31 years and the data has been sourced from World Bank Open Data.

It was anticipated that the rate of unemployment would vary inversely with the rate of inflation. However the scenario was quite different as they found that the rate of unemployment remained fairly stable for different rates of inflation. This was in contradiction to what Phillips had observed for the US unemployment and inflation data.

In the short run they find that the relation between inflation and unemployment is more or less constant over the years. However from 2005-2008 Dhar and Ghosh find the inverse relation as suggested by Phillips holds true. On using the total data from 1991-2021, they found that inflation has negligible effects on unemployment. The result obtained from this study is indeed surprising and is contradictory to what Phillips’s theory suggests. This relationship is also suggestive of the fact that the government can very well achieve the dual objectives of lower inflation and lower unemployment as opposed by Phillips as long as policies are directed to achieve the same.

- Q.5.** According to the Phillips Curve, what are the two main issues of economic life for a developing country like India? Why? **7**
(a)
Q.5. Based on this study, explain the behaviour of Phillips Curve in India, as compared to the one in US. **7**
(b)

OR

- Q.5.** ‘From the above study, we can conclude that in India, there may be several other factors apart from inflation rate which affects the rate of unemployment.’ Comment on the statement in light of what could be these other factors. **7**
(a)
Q.5. Suggest government measures for handling high inflation and unemployment rate in India. **7**
(b)

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA-SEMESTER-I-EXAMINATION-WINTER-2024

Subject Code: MB01092021**Date: 16/01/2025****Subject Name: Economics for Managers****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.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

- Q. 1 Explain the following terms. 14
1. Marginal Cost
 2. Supply
 3. Deadweight loss
 4. Open Economy
 5. Production
 6. Nominal interest rate
 7. PPP
- Q. 2(A) Discuss the principles of economics pertaining to interaction of people and the working of economy as a whole. 07
- Q.2 (B) Imagine you are a CEO of a company that has complete control over a unique product with no close substitutes. How would you explain the concept of a monopoly market, outline its defining features, and determine the pricing strategy for all situations?" 07
- OR**
- Q.2 (B) Explain prisoner's dilemma with reference to oligopoly market structure. 07
- Q.3 (A) How would you define elasticity in economics? Illustrate the concept of price elasticity of demand and explain its significance with the help of a graph. 07
- Q.3 (B) What are Economies of Large-Scale Production? Explain with help of appropriate examples and diagram. 07
- OR**
- Q.3 (A) Below are some data for Aditya Company Ltd, which produces only two goods X and Y 07
- | YEAR | PRICE OF X | QUANTITY OF X | PRICE Y | QUANTITY OF Y |
|------|------------|---------------|---------|---------------|
| 2022 | Rs 20 | 300 | 40 | 200 |
| 2023 | Rs 40 | 400 | 60 | 300 |
| 2024 | Rs 60 | 500 | 80 | 400 |
- Calculate Nominal GDP, Real GDP & GDP Deflator for each year, using 2022 as a base year. 07
- Q.3 (B) Discuss in detail circular flow of income in the four-sector economy. 07

- Q.4 (A) Compare and contrast the effects of monetary policy and fiscal policy on aggregate demand. **07**
 Q.4 (B) Explain concept of saving and investment in detail. **07**

OR

- Q.4 (A) When does the Phillips curve become vertical? Discuss in detail the short run trade-off between inflation and unemployment using the Phillips curve. **07**
 Q.4 (B) Calculate TC, FC, VC, AFC, AVC, ATC AND, MC and complete the table. **07**

QUANTITY	FIXED COST	VARIABLE COST	TOTAL COST	AVERAGE FIXED COST	AVERAGE VARIBALE COST	AVEARGE TOTAL COST	MARGINAL COST
0							
1				40		55	
2					35		
3							45

Q.5 Poverty – Old and New Approaches to a Persistent Problem

Background:

For many years, poverty has plagued the nation of Florentia. About 25% of the population still lives below the poverty line even after numerous antipoverty initiatives, including direct cash transfers, food assistance programs, and subsidies, have been put in place. The administration is currently investigating fresh strategies to combat poverty in a more long-term way. These consist of:

1. Traditional Approach: The traditional approach focuses on immediate relief and direct assistance to alleviate the symptoms of poverty. While effective in addressing short-term needs, this approach often falls short of creating sustainable long-term solutions.

Features

Subsidies

Direct Cash Transfers

Government-provided essential goods at subsidized prices to vulnerable sections of society.

Disaster relief funds, temporary shelters, or food camps during crises.

2. Innovative Approach: The innovative approach aims at empowering individuals to escape poverty sustainably by addressing its root causes. It focuses on economic inclusion, skill development, and leveraging technology to drive systemic change.

Features

1. Universal Basic Income (UBI) Provides a fixed amount of money to every citizen regardless of income level to ensure a minimum standard of living.

2. Skill Development and Education Programs

3. Microfinance and Self-Employment

4. Public-Private Partnerships (PPPs)

5. Technology-Driven Solutions

Every strategy has possible advantages and disadvantages. Although they offer instant assistance, traditional approaches frequently lead to reliance. Though they pose implementation risks and need a large initial investment, innovative techniques emphasize empowerment.

Scenario:

Florentia’s Ministry of Social Welfare is tasked with designing a new anti-poverty strategy. With a budget of ₹500 crores, they must decide how to allocate funds between traditional welfare programs and innovative poverty-reduction initiatives. Public opinion is divided, with some citizens fearing that innovative approaches may not provide immediate relief.

- Q.5 (A) What are the primary causes of persistent poverty in Florentia? 07
- Q.5 (B) How do economic inequality, lack of education, and unemployment contribute to the problem? 07
- OR**
- Q.5 (A) What are the advantages and disadvantages of the traditional approach to poverty alleviation? 07
- Q.5 (B) How do innovative solutions like UBI or microfinance differ from traditional welfare programs in their impact? 07
