

# GUJARAT TECHNOLOGICAL UNIVERSITY

## MBA-SEMESTER-I-EXAMINATION-WINTER-2024

**Subject Code: 4519202****Date: 10/01/2025****Subject Name: Economics for Manager****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** Answer in Brief: **14**
- (a) What is Equilibrium?
  - (b) What is opportunity cost?
  - (c) What are inferior goods?
  - (d) What is monetary policy?
  - (e) What do you mean by Real and Nominal GDP?
  - (f) Explain one point of difference between Macro and Micro Economics.
  - (g) What do you understand by government spending?
- Q.2** [A] What is discriminating monopoly? Explain objectives and types of price discrimination. **07**
- [B] Explain ten principles of economics in brief. **07**
- OR**
- [B] What is price elasticity of demand, Income elasticity of demand and Cross elasticity of demand? Explain the determinants of the price elasticity of demand. **07**
- Q.3** [A] Identify the similarities and differences between Perfect Competition and Monopolistic Competition. **07**
- [B] What is Purchasing Price Parity? Explain its implications with a suitable example. **07**
- OR**
- Q.3** [A] What is consumer Price Index and how is it calculated? What are the problems in measuring the CPI? **07**
- [B] Imagine that a country produces only the following two products as mentioned below. **07**

| Year | Price per Packet of Bread (in Rs ) | Quantity of Bread Packets Produces | Price Per Packet of cookies (in Rs) | Quantity of Cookies Packets Produced. |
|------|------------------------------------|------------------------------------|-------------------------------------|---------------------------------------|
| 2015 | 20                                 | 140                                | 22                                  | 200                                   |
| 2016 | 22                                 | 220                                | 25                                  | 300                                   |
| 2017 | 26                                 | 200                                | 28                                  | 250                                   |

Based on the above information:

Calculate Nominal GDP, Real GDP and the GDP Deflator for each year using 2015 as the Base Year.

**Q.4 [A]** What is Economics of Large Scale Production? Explain with the help of appropriate examples and diagram. **07**

**[B]** Explain trade-off between Inflation and Unemployment with the help of Philips Curve. **07**

**OR**

**Q.4 [A]** Discuss the causes and measurement of inflation. **07**

**[B]** Define Aggregate Demand and Aggregate Supply. Discuss the reasons why the Aggregate Demand curve is downward sloping. **07**

**Q.5 Case Study:**

India faced a steep inflationary pressure right from the beginning of the year 2008. In May 2008, inflation touched double digit figures and continued to move in an upward direction. The inflation was feared to choke the steady growth of the Indian economy. The Indian government took several steps to combat inflation. In July, the Reserve Bank, the central bank of India, also took action to tame the inflation as soon as it reached a thirteen year high, crossing 12.5%. RBI increased the repo rate and cash reserve ratio to indicate a tight monetary policy to be implemented. The central bank was able to withdraw a sustainable amount of money through the tight monetary policy. However this raised anguish and anger among the industrialists and businessmen in India. The tight monetary policy was viewed as a double whammy in the face of rising inflation. Some feared, that the policy would hamper business environment and affect the price sensitive sectors like manufacturing, automobiles and real estate etc. On that other hand, some economists argued that RBI's was appropriate and quit expected. Those who are in favour of the policy believed that tight monetary policy would be an obstacle to economic growth in the short run, but would improve the growth prospects of the economy in the long-run.

**[A]** According to your analysis did tight monetary policy was helpful in the inflation period. **07**

**[B]** What effect did high repo rate and cash reserve ratio make on economy? **07**

**OR**

**[A]** Do you agree with the economists' view that short-term growth may be sacrificed for long-term stability? Why or why not? **07**

**[B]** What might have been the potential risks if the RBI had not implemented a tight monetary policy? **07**

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