

Enrollment No./Seat No.:

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

Subject Code: 4519202

Date: 17-01-2026

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.**

	Marks
Q.1 ALL 7 Questions must be Compulsory.	14
(a) Cross Price Elasticity of Demand	
(b) Nominal and Real Exchange Rates	
(c) Inferior Goods	
(d) Opportunity cost	
(e) Monopoly	
(f) Purchasing Power Parity	
(g) Explain Two point of difference between Macro and Micro Economics	
Q.2 (a) List ten principles of economics. Explain in detail how people make their business decisions.	07
(b) Explain the circular flow of income model.	07
OR	
(b) Draw a Production Function that exhibits Diminishing Marginal Product of labour. Draw the associated Total Cost Curve. Explain the shapes of the two curves drawn.	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	
(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
(b) What is consumer Price Index and how is it calculated? What are the problems in measuring the CPI?	07
Q.4 (a) Explain the main reasons responsible for monopoly.	07

- (b) The Finance minister Nirmala Sitharaman announced a booster package of Rs. 40,000 crores for the EV Sector. Explain how is this expected to help the economy to overcome current economic slowdown. (Assume that MPC is 0.8) 07

OR

- (a) Define Aggregate Demand and Aggregate Supply. Discuss the reasons why the Aggregate Demand curve is downward sloping. 07
- (b) Explain how Monetary policy and Fiscal policy influences aggregate demand curve. Explain government purchase leads to Multiplier effect and crowding out effect. 07

Q.5 Case Study: Impact of U.S. Tariffs on the Indian Economy (2025)

In August 2025, the United States imposed a 50% tariff on Indian imports, citing India's continued purchase of Russian oil. This sudden measure disrupted trade relations, affecting nearly 55% of India's \$87 billion merchandise exports to the U.S., one of India's largest export markets. The tariff shock immediately impacted labour-intensive sectors, including textiles, jewellery, seafood, and leather, with export volumes declining by up to 70%. This has raised concerns over job losses, reduced income for millions of workers, and a projected slowdown in India's GDP growth by up to 1% for the year (Reuters, 2025).

The pharmaceutical sector also faced uncertainty. While generic drugs, which make up around 40% of U.S. drug sales supplied by India, are largely exempt, branded and patented medicines may be subject to the new tariffs, creating compliance and market access challenges. Additionally, India's IT and service exports are indirectly affected due to potential trade friction and reduced U.S. market confidence.

In response, India initiated several strategic measures. First, it began diversifying trade partners, strengthening relations with Russia, China, and the European Union to reduce reliance on the U.S. market. Second, it implemented domestic economic stimulus, including targeted GST reductions to boost demand and cushion affected sectors. Third, the Reserve Bank of India (RBI) is considering monetary policy adjustments, including potential rate cuts, to ensure liquidity and maintain economic stability (Economic Times, 2025).

These U.S. tariffs underscore the vulnerability of export-driven economies to protectionist measures. They highlight the need for proactive trade and fiscal policies, Sectoral diversification, and domestic demand stimulation. India's long-term resilience will depend on its ability to navigate shifting global trade dynamics, secure alternative markets, and sustain growth in both export-oriented and domestic sectors.

- (a) How have the 2025 U.S. tariffs on Indian exports impacted India's major labour-intensive sectors such as textiles, jewellery, seafood, and leather? What are the short-term and long-term effects on employment and GDP? 07
- (b) What has been the impact of U.S. tariffs on the Indian pharmaceutical industry, particularly regarding generic and branded medicines? How do these tariffs create challenges for Indian exporters? 07

OR

- (a) How effective are India's strategic responses—such as diversification of trade partners, domestic economic stimulus, and RBI monetary policy adjustments—in mitigating the negative effects of U.S. tariffs? 07

- (b)** In what ways do U.S. tariff policies influence global trade patterns and supply chains?
How can India strengthen its position in international trade to enhance economic resilience?

07
