

**M.B.A.-I (Sem.-I) Examination  
Economics for Managers**

Time : 3 Hours]

May-2017

[Max. Marks : 100

**Instructions:** (1) Illustrate with diagram wherever necessary.  
(2) Marks for each question is given in parentheses [ ] on the right hand side.

- Q1. (A) Discuss the following: [10]  
 (a) Short run trade-off between inflation and unemployment  
 (b) Circular flow diagram  
 (B) What is the implication of 'positive, negative and zero' cross elasticity of demand? [10]  
 OR  
 Differentiate between the following (any two): [20]  
 (a) Economies of Scale and Returns to Scale  
 (b) Micro economics and Macro economics  
 (c) Consumer price index and cost of living index
- Q2. (A) Why the demand curve slopes downward? How will you explain increase and decrease in demand? [5+5]  
 (B) If the government increases the tax on Candy, how the demand curve of Candy will shift? How the increase in price of sugar will affect the market for Candy? [5+5]  
 OR  
 For each of the following pair of goods, which good would you expect to have more elastic demand and why? (4 marks each)  
 (a) Textbooks and mystery novels  
 (b) Beethoven recording and classical music recordings  
 (c) Subway rides during next 6 months or subway rides during next 5 years  
 (d) Medicine and movie show  
 (e) Tea and Sugar [20]
- Q3 (A) Differentiate between economic profit and accounting profit? Which one is used for determining profit of a competitive firm? [5+5]  
 (B) Draw the following curves: (a) average cost curve, (b) average variable cost curve, (c) marginal cost curve. Determine the point of efficient output for a firm. [6+4]  
 OR  
 (A) What do you mean by a perfectly competitive market? What are its profit maximizing conditions? [5+5]  
 (B) What is price discrimination? Under what conditions the price discrimination is effective? [5+5]
- Q4 (A) Determine the entry and exit conditions for a competitive firm. [5+5]  
 (B) Why the monopoly arise? Discuss deadweight loss in monopoly. [10]  
 OR  
 (A) Write four properties of indifference curve. Discuss consumer's equilibrium with the help of indifference curve. [5+5]  
 (B) What is the difference between GNP and GDP? Discuss the four components of national income. [5+5]
- Q5 (A) Describe the economic logic behind the theory of purchasing power parity. [10]  
 (B) Should monetary policy makers try to stabilize the economy? Explain. [10]  
 OR  
 (A) What is the difference between demand pull and cost push inflation? How the inflation affects (a) Producers, (b) Consumers, (c) Investors [4+6]  
 (B) How the national saving, public saving and private saving are interrelated? [10]