

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER –I-EXAMINATION – WINTER-2022**

**Subject Code: 1519602**

**Date: 22/02/2023**

**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 (a)** Explain following terms: **14**
1. Trade Off
  2. Opportunity cost
  3. Purchasing Power parity
  4. Cross Elasticity of demand
  5. Law of Demand and Supply
  6. Indifference curve
  7. Monetary Neutrality
- Q.2 (a)** Explain using diagram: (1) Production Possibilities Curve (2) Circular Flow of Money **07**
- (b)** Differentiate between Perfect competition & Monopoly in any economy. **07**
- OR**
- (b)** What are the determinants of an individual demand and an individual's supply of a commodity? **07**
- Q.3 (a)** Explain giving examples: Economic Profit & Accounting Profit. **07**
- (b)** Discuss prisoner's dilemma and how it compares with Oligopoly? **07**
- OR**
- (a)** Explain the short run trade-off between inflation and unemployment. **07**
- (b)** Explain how the higher rate of savings, investment and policy of open economy influence the GDP growth? **07**
- Q.4 (a)** What is CPI? What are the steps involved in calculating CPI. **07**
- (b)** Explain why the long – run aggregate supply curve is vertical? **07**

**OR**

- (a) Define Nominal Exchange Rate, Real Exchange Rate and the concept of PPP, giving examples 07
- (b) Explain the functions of RBI in brief 07

**Q.5 Analyze the following case and answer the questions given below:**

**THE DE BEERS DIAMOND MONOPOLY**

A classic example of monopoly that arises from the ownership of a key resource is De Beers, the South African diamond company. The company was founded in 1888 by Cecil Rhodes, an English business man (and benefactor for the Rhodes scholarship), when he merged two of the biggest mines in the country. Rhodes then proceeded to use his profits to continue buying mines, consolidating his market power. Today, De Beers controls about 80% of the world's production of diamonds. Although the firm's share of the market is not 100%, it is large enough to exert substantial influence over the market price of diamonds. How much market power does De Beers have? The answer depends in part on whether there are close substitutes for its products. If people view Emeralds, Rubies and Sapphires as good substitutes for diamond, then De Beers have relatively little market power. In this case, any attempt by De Beers to raise the price of diamonds would cause people to switch to other Gemstones. But people view these other stones as very different from diamonds. Then De Beers can exert substantial influence over the price of its product. De Beers pay for large amount of advertising. At first this decision might seem surprising. If a monopoly is the sole seller of its product, why does it need to advertise? One goal of the De Beers ads is to differentiate diamonds from other gems in the minds of consumer. When their slogan tells you that "A diamond is forever", you are meant to think that the same is not true of emeralds, rubies and sapphires. (And the notice that the slogan is applied to all diamonds, not just De Beers diamonds-a sign of De Beers monopoly position.) If the ads are successful consumer will view diamonds as unique, rather than as one among many Gemstones, and this perception will give De Beers greater market power

- (a) : How did De Beers dominate the diamond industry? 07
- (b) : what is your opinion about various gem stones? Are they different products or fall in the same category? Explain. 07

**OR**

- (a) : As more businesses and nations enter the diamond industry, why does De Beers retain such a significant share of the market? 07
- (b) : What is the role of advertisement for De Beers? 07

\*\*\*\*\*