

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
