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**PRESIDENCY UNIVERSITY**

**Bengaluru**

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| **End - Term Examinations – JANUARY 2025** |
| **Date:** 10 – 01- 2025 **Time:** 01:00 pm – 04:00 pm |

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| **School:** SOM-PG | **Program:** MBA | |
| **Course Code :** MBA1022 | **Course Name :** Economics for Managers | |
| **Semester**: I | **Max Marks**: 100 | **Weightage**: 50% |

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| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **19** | **16** | **24** | **31** | **10** |

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Do not write anything on the question paper other than roll number.*

**Part A**

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| **Answer ALL the Questions. Each question carries 3marks. 3Mx10Q=30M** | | | | |
| **1** | List any three macroeconomic issues of the emerging economy. | **3 Marks** | **Remembering** | **CO1** |
| **2** | Define production function. | **3 Marks** | **Remembering** | **CO2** |
| **3** | Explain any three characteristics of Perfect competitive market. | **3 Marks** | **Remembering** | **CO3** |
| **4** | Define Average Propensity to Consume. | **3 Marks** | **Remembering** | **CO3** |
| **5** | Briefly explain the various causes of inflation in India. | **3 Marks** | **Remembering** | **CO1** |
| **6** | Define price discrimination. Provide examples. | **3 Marks** | **Remembering** | **CO3** |
| **7** | Explain the Consumption function with neat diagram. | **3 Marks** | **Remembering** | **CO1** |
| **8** | Define cost function. | **3 Marks** | **Remembering** | **CO2** |
| **9** | Briefly describe the Keynesian theory of employment. | **3 Marks** | **Remembering** | **CO4** |
| **10** | Define investment multiplier. | **3 Marks** | **Remembering** | **CO4** |

**Part B**

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| **Answer ALL the Questions. Each question carries 10 marks. 10Mx4Q=40M** | | | | |
| **11** | Macroeconomics focuses on four sector: household, business, government and the international sector. These four sectors will interact with each other in different ways that involve either the receipt or payment of Income. Based on this draw and explain the four sector circular flow in the economy. | **10 Marks** | **Understanding** | **CO1** |
| **or** | | | | |
| **12** | A product is considered to be elastic if the quantity demand of the product changes more than proportionally when its price increases or decreases. In this context, solve the following:   1. As the price of tomatoes increases from $2.5 to $3, the quantity demanded decreases from 2000 tons to 1800 tons. What is the price elasticity of demand for tomatoes? Is it elastic, inelastic, or unit elastic? 2. Initial Income of the customer is Rs 40000, Income rises by 10 percent; demand decreases from 2000 tons to 1800 tons. Calculate the income elasticity of demand. Is it an inferior good or a normal good? | **10 Marks** | **Understanding** | **CO1** |

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| **13** | The table below shows the output and prices of Switzerland in the year 2020 and 2021 (prices in dollars).   |  |  |  |  |  | | --- | --- | --- | --- | --- | | GOODS | 2020 PRICE | 2020 QUANTITY | 2021 PRICE | 2021 QUANTITY | | CHOCOLATE | 2 | 400 | 3 | 400 | | CHEESE | 6 | 200 | 8 | 200 | | WATCHES | 20 | 80 | 22 | 100 |  1. Calculate Nominal GDP in 2020 & 2021 2. Calculate Real GDP in 2021 using 2020 prices. | **10 Marks** | | **Applying** | | **CO2** | |
| **or** | | | | | | | |
| **14** | The following table presents for the economy a hypothetical disposable income and consumption level. Compute the values for Savings, APC, APS, MPC, MPS.   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Disposable income (Y) | Consumption (C) | Savings  (S) | APC | APS | MPC | MPS | | 0 | 50 |  |  |  |  |  | | 100 | 125 |  |  |  |  |  | | 200 | 200 |  |  |  |  |  | | 300 | 275 |  |  |  |  |  | | 400 | 350 |  |  |  |  |  | | 500 | 425 |  |  |  |  |  | | | **10 Marks** | | **Applying** | | **CO2** |

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| **15** | The monetary policy refers to a policy which employs the central bank’s control of the supply of money as an instrument for achieving the objectives of the general economic policy. Explain RBI’s action regarding Bank rate, Reverse Repo Rate and Open Market Operations during inflationary situation. | **10 Marks** | **Understanding** | **CO4** |
| **or** | | | | |
| **16** | Discuss the characteristics of the following competitive markets.   1. Monopolistic market 2. Oligopoly market | **10 Marks** | **Understanding** | **CO4** |

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| **17** | The following data characteristics the macroeconomic conditions of a hypothetical economy. C = 50 + 0.5 Y is the consumption function where C is consumption expenditure and Y is National Income and investment expenditure is 2,000 in an economy. Calculate: (i) Equilibrium level of (national) income; (ii) Consumption expenditure at equilibrium level of (National) income. | **10 Marks** | **Applying** | **CO5** |
| **or** | | | | |
| **18** | Describe the various functions of Reserve Bank of India. | **10 Marks** | **Applying** | **CO5** |

**Part C**

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| **Answer all the Questions. Each Question carries 15 marks. 15Mx2Q=30M** | | | | |
| **19** | The following table shows the relationship between the price of product A and the quantity demanded for products A and B.   |  |  |  |  | | --- | --- | --- | --- | | **Price of A (Rs)** | **Quantity demanded for A (kg)** | **Quantity demanded for B (kg)** | **Consumers’ income (Rs)** | | 6.00 | 100 | 20 | 2,000 | | 6.50 | 90 | 30 | 1,800 | | 7.00 | 70 | 50 | 1,600 | | 7.50 | 40 | 70 | 1,400 | | 8.00 | 10 | 85 | 1,200 |  1. Calculate the price elasticity of demand for A, if the price of A increases from Rs 7.00 to Rs. 8.00 per kg, and indicate whether the demand is elastic or inelastic? 2. Calculate the cross elasticity of demand for B when the price of A decreases from Rs 7.50 to Rs 6.50. Are A and B complementary or substitute goods. 3. Calculate the income elasticity of demand for A when the income of consumers increases from Rs 1, 4000 to Rs 1800. What type of product is A? | **15 Marks** | **Applying** | **CO3** |
| **20** | The Total Revenue (TR), Average Revenue (AR) and Marginal Revenue (MR) differs in the perfect competition and monopolistic competition type of market structures. Give reasons. Fill the following table when market price of each unit of good is Rs.10   |  |  |  |  | | --- | --- | --- | --- | | QUANTITY SOLD | TOTAL REVENUE | AVERAGE REVENUE | MARGINAL REVENUE | | 0 |  |  |  | | 1 |  |  |  | | 2 |  |  |  | | 3 |  |  |  | | 4 |  |  |  | | 5 |  |  |  | | 6 |  |  |  | | **15 Marks** | **Applying** | **CO4** |