



**PRESIDENCY UNIVERSITY, BENGALURU
SCHOOL OF MANAGEMENT**

Max Marks: 100

Max Time: 180 Mins

Weightage: 40%

Set B

COMPREHENSIVE EXAMINATION

I Semester 2016-2017

Course: **MBA A 103 Economic Analysis**

11 January 2017

Instructions: Graphs to be plotted in graph sheets wherever explicitly indicated

Part A

(10 Q x 2 M= 20 Marks)

1. What is diminishing marginal product?
2. What is fixed cost?
3. In the demand and supply model what is equilibrium price?
4. What are complements? Give an example for goods that are complements
5. Give two examples of economic models.
6. What do we mean by monopoly?
7. When do we say that a firm is experiencing economies to scale ?
8. When do we say that a firm is at an efficient scale in terms of production?
9. What are the conditions for perfect competition?
10. In the demand and supply model when does a surplus situation occur?

Part B

(8 Q x 5 M= 40 Marks)

1. Draw clearly labelled diagram of the ATC. What do we mean by the 'spreading' effect and diminishing effect in the context of ATC ?
2. What is average fixed cost? Graphically depict the average fixed cost. Why is the AFC shaped the way it is?
3. What are the three conditions in which monopolies arise?
4. The de-monetisation program by the government of India has affected some markets positively and some negatively Sketch some demand or supply curves for the following situations and think about how the curves would change for
 - a. Digital payment services such as PayTM , Bank wallets etc
 - b. Real estate sector .
5. Market structure in economics categorizes firms as monopoly, oligopoly, perfect competition & monopolistic competition Classify the following industries based on the market structure and briefly reason out your answers for each of them.
 - a. Wheat producers

- b. Electricity Transmission
 - c. Telecom industry
 - d. Restaurants
6. Suppose that a small family farm sold its output for Rs.500,000 in a given year. The family spent Rs.100,000 on fuel, Rs.200,000 on seed, fertilizer, and pesticides, and Rs.50,000 on equipment, including maintenance. The family members could have earned a total family income Rs.100,000 if they had pursued other occupations
- a. What is the accounting profit for the family farm
 - b. What is the economic profit of the family farm
7. In 2015 Hewlett Packard cut down its staff by nearly 10% - 300,000 of its workers. The Fortune magazine compared the reductions to a "small city".
- a. From the perspective of the LRATC (Long Run Average Total Cost Curve), what do you think the firm is experiencing in terms of scale.
 - b. Draw a generic LRATC and clearly mark the zone in which Goldman Sachs is in.
 - c. What are the factors that could have contributed to this scale issue.
8. Refer to the table below and answer the following questions

Full pass Math Tutoring

Number of Workers	Output (number of students tutored per week)
0	0
1	20
2	45
3	60
4	70

- a. What is the marginal product of the second worker?
- b. What is the marginal product of the third worker?
- c. From which additional worker does the company experience diminishing marginal productivity
- d. If the company's fixed cost for a month is Rs 50000 and variable cost is 20,000 per worker generate the total cost data as an additional column

Part C

(2 Q x 20 M= 40 Marks)

1. Refer to the table below and answer the following questions

Labor	Output	Marginal Product	Variable Cost(₹)	Fixed Cost(₹)
1	300	300	30	20
2	450	?	50	20
3	550	?	70	20
4	?	50	90	20
5	?	25	110	20
6	630	?	130	20

1. Complete the Output and Marginal product column
2. Calculate Average variable cost across all levels of output as a separate column
3. Calculate Average fixed cost across all levels of output as a separate column
4. Calculate the Average total cost across all levels of output

2. Assume you are interning for a logistics startup Quickdel. Quickdel has partnered with ecommerce companies such as amazon, ebay to make home deliveries across Bangalore city. You have been asked to perform a cost- analysis for their deliveries department. After collecting and consolidating cost data you have the following information (table below) .Additionally from the corporate office you have come to understand that that Fixed cost per delivery is Rs 100.

Output (No of Deliveries)	Variable Cost(₹)
1	25
2	45
3	60
4	70
5	75
6	78
7	88
8	104
9	135
10	175

1. Calculate the AFC (Average Fixed cost)
2. Calculate the AVC (Average variable cost)
3. Calculate the ATC (Average total cost)
4. Calculate the MC (Marginal Cost)
5. Plot the ATC in the graph sheet



PRESIDENCY UNIVERSITY, BENGALURU
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Max Marks: 80

Max Time: 2 Hours

Weightage: 20 %

Set A

MID TERM EXAMINATION

I Semester 2016-2017

Course: MBA A 103 Economic Analysis

27 October 2016

Instructions: Write to the point

Part A

(10 Q x 2 M= 20 Marks)

1. What is the relationship between price and supply?
2. Why are models used to study economics?
3. What is an inferior good? Give an example of inferior good.
4. What is surplus in the context of demand-supply model?
5. Write a brief note on the circular flow of income model?
6. List at least two economic concepts that can be demonstrated through production possibility frontier?
7. Write a short note on normal good. Give an example.
8. What is a demand schedule?
9. Under demand theory what are the two ways in which we classify related products?
10. When do we say that a market is in equilibrium?

Part B

(6 Q x 5 M= 30 Marks)

1. "Two countries can achieve gains from trade even if one of the countries has a relative advantage in the production of a good". Is this true or false? Reason out your conclusion.
2. In the demand and supply model when do we have a shortage/deficit? Explain with a clearly labelled diagram.
3. As you may know that the South Indian states of Tamil Nadu and Karnataka are suffering from a rainfall deficit and drought conditions. This has further resulted conflicts around Cauvery water sharing.
 - a. Through a clearly labelled diagram how rice supply will change in south India due to the drought
 - b. Through a clearly labelled diagram show changes in demand for the Cauvery water
4. The Arabian oil companies that control most of oil supply in the world market have together decided to raise oil prices from next month. How will their supply change this month? Explain with a diagram.
5. Sketch some demand curves for the following situations and think about how you would expect the demand curve to change.

- a. The demand for DVD players following a 30% discount sale on blue-ray players across all major electronic retail stores
 - b. The Demand for Blue-ray discs following a 30% discount sale on blue-ray players across all major electronic retail store
6. Consider the difference between 'movement along the supply curve' vs 'shift in Supply curve'. Classify the following situations as either of the two movements with a very short justification for each.
- a. a change in technology
 - b. a change in input cost
 - c. a change in the number of producers.
 - d. a change in price
 - e. a changes in expectations

Part C

(2 Q x 15 M= 30 Marks)

1. American and Japanese workers can each produce 40,000 cars a year. American workers can produce 100,000 tons of grain a year, whereas a Japanese worker can produce 35,000 tons of grain a year. Graph the production possibilities frontiers for the American and Japanese economies.
 - a. For United States, calculate the opportunity cost of a car (in terms of grain) and of grain(in terms of car)
 - b. For Japan ,calculate the opportunity cost of a car(in terms of gran) and of grain(in terms of car)
 - c. Which country has an absolute advantage in producing cars? In producing grain?
 - d. Which country has a comparative advantage in producing cars? In producing grain?
2. The table below is the demand and supply schedule in the black market for cricket match tickets in India in 2013. Plot graphs in the answer sheet. Set it to scale.

Price	Quantity demanded	Quantity supplied
12000	2000	10000
10000	4000	8000
8000	6000	6000
6000	8000	4000
4000	10000	2000

- a. Plot the demand and supply .
- b. What is the equilibrium price and quantity.
- c. On Oct 2013, Sachin announced his retirement. Quantity demanded increased by 1000 units at every price level. Plot the new demand curve .
- d. Indicate the new equilibrium price and quantity approximately.