|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Roll No |  |  |  |  |  |  |  |  |  |  |  |  |

****

**Presidency University**

**Bengaluru**

**School of Management**

**Make-up End-Term Examination - July 2024**

**Date**: 03-07-2024

**Time**: 9:30am -12:30pm

**Max Marks**: 100

**Weightage**: 50%

**Semester**: Semester - II

**Course Code**: MBA1015

**Course Name**: Economics for Managers

**Department:** SOM

**Instructions:**

1. *Read the all questions carefully and answer accordingly.*
2. *Do not write any information on the question paper other than roll number.*
3. *Question paper consists of 3 parts.*

**PART A**

**Answer any 10 Questions. Each question carries 3 marks. (10Qx 3M= 30)**

1. What is the significance of Nominal GDP and Real GDP?
2. what is the differences between Economies and Diseconomies of scale.
3. What are the various determinants of demand.

1. Illustrate Price elasticity of demand and its types with examples.
2. What are Average Cost and Marginal Cost.

1. What are the different kinds of fiscal policies.
2. What are the objectives of RBI's Monetary Policy
3. Transfer payments refer to the flow of money without the reverse flow of goods and services. List any two transfer payments of our economy.
4. Distinguish between perfect competition and monopolistic competition.
5. State the law of variable proportion.
6. What is Marginal Propensity to Consume
7. What is opportunity cost?

**PART B**

**Answer any 4 Questions. Each question carries 10 marks. (4Qx 10M= 40)**

1. Explain various types of inflation. Elaborate on RBI’s action in controlling inflation through the Repo rate, Cash reserve ratio and Open market operations.
2. Describe the various features of monopolistic competitive firms. Discuss how price and output are determined under the monopolistic competition.

1. The concept of price elasticity of demand is used by organisations in determining prices under various situations. **For instance**, under monopolistic market conditions, an organisation sets a low price per unit of the product in case of elastic demand. As a result, the demand for the product rises. On the other hand, when the demand for the product is inelastic, the price is set very high. This helps in generating large revenues for organisations due to the high price of a product while demand remains constant.  
   a. Explain the factors influencing the price elasticity of demand.   
   b. If the price of a product decreases from $10 to $8, leading to an increase in quantity demanded from 40 to 60 units, compute the price elasticity of demand using ARC method.
2. Fiscal policy refers to the regulation of the level of government spending, taxation. These are the important factors that influence the aggregate output, employment, and prices in the economy. Describe on these instruments.

1. Define Savings function. Calculate APC, MPC, MPS & APS for the following.

|  |  |
| --- | --- |
| INCOME (Y) | CONSUMPTION (C) |
| 1000 | 900 |
| 1200 | 1060 |
| 1400 | 1220 |
| 1600 | 1380 |
| 1800 | 1540 |

1. Explain the circular flow of economic activity in a four sector economy.

**PART C**

**Answer the following Questions. (2Qx 15M= 30)**

The table below shows the output and prices of an economy in 2020 and 2021.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| GOODS | 2020 Price | 2020 Quantity | 2021 Price | 2021 Quantity |
| Chocolates | 20 | 400 | 30 | 400 |
| Cheese | 60 | 200 | 80 | 200 |
| Watches | 200 | 80 | 220 | 100 |

1. a. Calculate Nominal GDP in 2020 and 2021  
   b. Calculate Real GDP in 2021 using 2020 as a base year.  
   c. Calculate GDP deflator for 2021.
2. Explain how Marginal Propensity to Consume (MPC) is different from Marginal Propensity to Save (MPS) with help of the graphical diagram.