PRESIDENCY UNIVERSITY
BENGALURU

SET-B

SCHOOL OF MANAGEMENT
END TERM EXAMINATION – MAY/JUNE 2024

Semester : Semester II - 2023

Course Code : MBA1015

Course Name : Economics for Managers

Program : MBA

Date : May 31, 2024

Time : 9.30AM – 12.30PM

Max Marks : 100

Weightage : 50%

Instructions:
(i) Read all questions carefully and answer accordingly.
(ii) Question paper consists of 3 parts.
(iii) Scientific and non-programmable calculator are permitted.
(iv) Do not write any information on the question paper other than Roll Number.

PART A

ANSWER ANY 10 QUESTIONS   **10Q* 3M =30**

1. Draw the circular flow of economic activity.

   (CO1) [Knowledge]

2. What is the basic economic problem in our society? How it arises?

   (CO1) [Knowledge]

3. Transfer payments refer to the flow of money without the reverse flow of goods or services. List any two transfer payments of our economy.

   (CO2) [Knowledge]

4. State Say's Law of the market.

   (CO2) [Knowledge]

5. State the law of variable proportion.

   (CO3) [Knowledge]

6. Explain the Marginal Propensity to Consume

   (CO3) [Knowledge]

7. Distinguish between Economies and Diseconomies of scale.

   (CO4) [Knowledge]

8. What do you mean by Nominal GDP and Real GDP?

   (CO4) [Knowledge]

9. What do you understand by a monopoly market? Give example.

   (CO5) [Knowledge]

10. Distinguish between perfect competition and monopolistic competition.

    (CO5) [Knowledge]

11. Explain the various objectives of RBI's Monetary Policy

(CO3)[knowledge]

12. Briefly explain the various determinants of demand.

(CO4) [Knowledge]

PART B

ANSWER ANY 4 QUESTIONS   4Q* 10M =40

13. Illustrate Price elasticity of demand and its types with examples.

(CO3) [Application]

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

(CO4) [Application]

15. Explain how Marginal Propensity to Consume (MPC) is different from Marginal Propensity to Save (MPS) with help of the graphical diagram.

(CO4) [Application]

16. 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

(CO5) [Application]

17. 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.

(CO3) [Application]

18. Explain various types of inflation. Elaborate on RBI's action in controlling inflation through the Repo rate, Cash reserve ratio and Open market operations.

(CO2) [Application]

PART C

ANSWER ALL THE QUESTIONS   2Q* 15M =30

19. The following data characteristics the macroeconomic conditions of a hypothetical economy. Suppose we have an economy characterized by the following function.
$C = 50 + 0.8Yd$
$I = 100$ Crs
$G = 75$ Crs
$T = 75$ Crs
a. Find the equilibrium level of income.
b. Find the investment multiplier and interpret.
c. Find the government expenditure and interpret.

(CO4) [Analysis]

20. Inflation is already at a 13 year high of 11.91%. Any further hike in prices could trigger more price pressures and cause widespread discount. The government raised the price of petrol by Rs.5 per litre, Diesel by Rs.3 per litre and domestic LPG by Rs.50.

A) How does a rise in fuel price create inflation in a country?

B) What is cost push inflation?

C) Explain the effect of inflation on the following: a) Fixed income group in the economy b) Capital formation c) Distribution of incomd) Producers.

(CO5) [Analysis]