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Total Number of Pages : 02

**MBAP**  
**PTMNG104**

**1<sup>st</sup> Semester Regular Examination 2017-18**  
**ECONOMICS FOR MANAGEMENT**

**Branch : MBA(PT)**

**Time : 3 Hours**

**Max Marks : 100**

**Q.CODE : B1007**

**Answer Question No.1 and 2 which is compulsory and any four from the rest.**  
**The figures in the right hand margin indicate marks.**

**Q1 Answer the following questions by filling in the blanks : (2 x 10)**

- a) The fact that people have unlimited wants means that
  - (a) They always want more of at least one good
  - (b) Each person has an unlimited desire for every good
  - (c) Labor unions demand wage increases
  - (d) People buy goods without regard to what they can afford
- b) Studies show that demand curve for peas has shifted. Which of the following explanations would you reject first?
  - (a) The price of string beans has changed
  - (b) The demand for corn has changed
  - (c) The price of peas has changed
  - (d) The income of consumers has changed
- c) If a firm facing a perfectly elastic demand curve raises its price,
  - (a) It will still sell exactly the same amount of output as it did at the lower price
  - (b) Its sales will increase
  - (c) Its sales will decrease to zero
  - (d) It will lose some, but not all, of its sales
- d) The reason economists assume that firms try to maximize economic profit is
  - (a) Over time, firms that do not earn profits will have difficulty securing finance to survive
  - (b) Firms in the real world always maximize profits
  - (c) If a firm fails to earn a profit in its first year, it will go out of business.
  - (d) Profit maximization is easier for firms than revenue maximization
- e) Which of the following would be shown on IBM's accounting statement?
  - (a) Revenue, implicit costs, explicit costs and economic profit
  - (b) Revenue, explicit costs, implicit costs, and accounting profit
  - (c) Revenue, explicit costs and accounting profit
  - (d) Revenue, implicit costs and accounting profit
- f) Perfectly competitive firms are price takers because
  - (a) All small firms must take the price set by the largest firm in the market
  - (b) Each firm is small and goods are perfect substitutes for one another
  - (c) Free entry and exit in the short run creates a constant market price in the long run
  - (d) Firms take the price that Government determines is a "fair price".
- g) A Natural Monopoly results when a firm has
  - (a) A License
  - (b) A Patent
  - (c) Decreasing average costs over the range of market demand
  - (d) Exclusive use of a natural resource
- h) In order to convert nominal GDP to real GDP, we must divide
  - (a) Nominal GDP by price index
  - (b) Real GDP by price index
  - (c) Price index by Nominal GDP

- (d) Price index by Real GDP
- i) The economy will expand if
  - (a) Injections exceed leakages
  - (b) Leakages exceed injections
  - (c) Injections equals leakages
  - (d) Savings exceed investments
- j) The base year for the price index is the year
  - (a) In which prices were stable
  - (b) In which prices were lowest
  - (c) In which real output was largest
  - (d) That serves as a reference point

**Q2 Answer the following questions : (2x10)**

- a) What are the basic steps involved in all types of decision making process?
- b) Would you expect the price elasticity of demand for electricity for residential use in India to be higher or lower than that for industrial use? Why?
- c) Why demand forecasting is important in the management of business firms and other enterprises?
- d) What is the difference between Technological efficiency and Economic efficiency?
- e) What is meant by Economies of scope? How it is different from Economies of scale?
- f) In which sector of the Indian economy Oligopoly most prevalent? Why?
- g) What is meant by price discrimination? When it is possible and profitable?
- h) What is the kind of pricing used by Shopper's stop and Big Bazaar?
- i) Distinguish between NNP at factor cost and NNP at market price.
- j) Why inflation is considered to be a by-product of growth and expansion?

**Q3 Explain why is demand analysis essential for successful production planning and capital expansion? (15)**

**Q4 Agricultural commodities are known to have a price inelastic demand and are considered to be necessities. Use this information to explain why the incomes of farmers fall:**

- (a) After a good harvest, and **(8)**
- (b) In relation to the incomes from other sectors of the economy. **(7)**

**Q5 Discuss the effect on the prices of other brands in a monopolistically competitive industry, when a representative firm increases the price of its brand? (15)**

**Q6 While working for a computer manufacturing company, you have developed software for supply-chain management. The Company has agreed to market the product. Which pricing strategy would be most suitable and why? (15)**

**Q7 State the law of diminishing returns. Why do diminishing marginal returns to a variable input occur eventually? Can they become negative? If so, why? (15)**

**Q8 Why is it better to keep a check on Business cycle? Is it feasible, keeping in view their obvious and inevitable occurrence? (15)**