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Total Number of Pages: 02

MBA
15MNG104

**1st Semester Regular/Back Examination 2017-18
ECONOMICS FOR MANAGEMENT**

**Branch: MBA
Time: 3 Hours
Max marks: 100
Q.CODE: B826**

**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 Choose the best alternative: (2X10)**
- a) Bhubaneswar has an abundant supply of fresh water. However, an economist would consider it a scarce resource because:
 - (a) Water is necessary for humans' physical survival.
 - (b) Pollution will eventually destroy all life in the smart city.
 - (c) Water is limited relative to people's unlimited wants.
 - (d) Nature can destroy water as well as create it.
 - b) Which of the following will cause a change in quantity supplied?
 - (a) Technological change
 - (b) A Change in input prices
 - (c) A Change in the market price of the good
 - (d) A Change in the number of firms in the market
 - c) In which of the following cases will the effect on equilibrium output be indeterminate (i.e., depend on the magnitudes of the shifts in supply and demand)?
 - (a) Demand decreases and supply decreases
 - (b) Demand remains constant and supply increases
 - (c) Demand decreases and supply increases
 - (d) Demand increases and supply increases.
 - d) If the price elasticity of demand for a product is equal to 0.5, then a 10 percent decrease in price will:
 - (a) Increase quantity demanded by 5 percent.
 - (b) Increase quantity demanded by 0.5 percent
 - (c) Decrease quantity demanded by 5 percent.
 - (d) Decrease quantity demanded by 0.5 percent.
 - e) In economic decisions every variable influences every other variable is an underlying assumption of:
 - (a) Delphi Technique
 - (b) Multi Collinearity
 - (c) Simultaneous equations method
 - (d) Specification errors
 - f) John moved his office from a building he was renting downtown to the carriage house he owns in back of his house. How will his costs change?
 - (a) explicit and implicit costs rise
 - (b) explicit costs rise; implicit costs fall
 - (c) explicit costs fall; implicit costs rise
 - (d) explicit and implicit costs fall.
 - g) Perf Per perfectly competitive firms are price takers because
 - (a) all small firms must take the price set by the largest firm in the market
 - (b) firms take the price that government determines is a "fair" price
 - (c) each firm is small and goods are perfect substitutes for one another
 - (d) Free entry and exit in the short run creates a constant market price in the long run.

- h)** Monopolistically competitive firms ignore the effect of their decisions upon other firms in the industry because
 - (a) each firm is large relative to the market
 - (b) each firm is small relative to the market
 - (c) there are few sellers in the market
 - (d) all firms follow the same known pricing rules
- i)** In order to convert nominal GDP to real GDP, we must divide
 - (a) Real GDP by the price index
 - (b) Nominal GDP by the Price index
 - (c) The price index by nominal GDP
 - (d) The price index by real GDP
- j)** In the circular flow of income and output, saving is
 - (a) Injection of money
 - (b) Withdrawal of money
 - (c) Addition to capital stock
 - (d) None of the above

Q2 Answer the following questions: (2x10)

- a)** What major decisions a firm must make to maximize profits and to use its resources for production?
- b)** In what way the growth of the economy would affect demand for a commodity?
- c)** A New hormone will increase the amount of milk each cow produces. If this hormone is adopted by many dairies what will be the effect on the milk market?
- d)** If by increasing the quantity of labour by one unit, a firm gives up 3 units of capital, and yet produces the same level of output, then what would be the value of MRTSL, K?
- e)** What does the iso-cost line represent?
- f)** Why do existing products in the market can be easily imitated by any new entrant in monopolistic competition?
- g)** What is the need for different pricing strategies for retailers?
- h)** Why business cycles are synchronic by nature?
- l)** Distinguish between GDP at market price and GDP at factor cost.
- j)** Why inflation is considered as a necessary evil?

Q3 Investigating the demand for textiles in a country, a researcher observed that the demand for textiles tend to rise by 1.5% with 1% decrease in the prices of textiles; with the rise in 1% of percapitaGDP, the demand for textiles rise by 0.45% and when food prices increase by 1%, the demand for textiles contracts by 0.93%. **(15)**

- (a) Which type of elasticity the textiles mills should consider significant for business development?
- (b) How much rise in sales is expected during a festival season by offering 20% discount by textile mills show rooms?

Q4 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)**

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 Explain the various economies of scale and dis- economies of scale that accrue to the firm when it expands its scale of production. **(15)**

Q7 What are the objectives of pricing policy? Discuss the major factors involved in pricing policy. **(15)**

Q8 Which monetary and fiscal measures do you think are more effective in controlling cyclical fluctuations? Give logic in support of your answer. **(15)**