Registration No:

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.1and 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) Withdrawl 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?

I) 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)**