PARUL UNIVERSITY
FACULTY OF MANAGEMENT
MBA, Winter 2018-19 Examination

Semester: 1   Date: 01/11/2018
Subject Code: 06200105   Time: 10:30 am to 1:00 pm
Subject Name: Business Economics and Environment   Total Marks: 60

Instructions
1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.

A).Multiple choice type questions/Fill in the blanks.   (Each of 1 mark)   (05)

1. Which of the following would cause a demand curve for a good to be price inelastic?
   a) The good is a luxury   c) The good is a necessity
   b) There are a great number of substitutes   d) The good is an inferior good
   for the good

2. A firm whose average total cost continually declines at least to the quantity that could supply the entire market is known as a
   a) natural monopoly   c) government monopoly
   b) perfect competitor   d) regulated monopoly

3. Gross Domestic Product can be measured as the sum of
   a) Final goods and services, intermediate   c) Consumption, transfer payments, wages and
   goods, transfer payments and rent.   profit
   b) Consumption, investment, government   d) investment, wages, profits and intermediate
   purchases and net exports   production

4. Inflation can be measured by all of the following except the
   a) Consumer Price Index   c) GDP deflator
   b) Producer Price Index   d) Finished goods Price Index

5. Economics is the study of
   a) how society manages its unlimited   c) how society manages its scarce resources
   resources
   b) how to reduce our wants until we are   d) how to avoid having to make trade - off
   satisfied

B).Define the following. (Each of 1 mark)   (05)
1. Market Equilibrium
2. Cross-Price elasticity of demand
3. Deadweight loss
4. Profit Maximization for a Competitive Firm
5. Nash Equilibrium

C).Direct questions. (Each of 1 mark)   (05)
1. Effects of Inflation on Society
2. Law of Demand
3. Law of Supply
4. Difference between Microeconomics and Macroeconomics
5. Difference between Monopolistic Competition and Perfect Competition

Q.2 Answer the following questions.
A). What is Macro environment? Explain in brief how it affects your business.   (07)
B). Explain in brief about firm's cost curves and their shapes.   (08)

Q.3 Answer the following questions.

A). Below are some data from the land of milk and honey. **(07)**

Year	Price of Milk	Quantity of Milk (In Quarts)	Price of Honey	Quantity of Honey (In Quarts)
2010	$1	100	$2	50
2011	$1	200	$2	100
2012	$2	200	$4	100

Compute nominal GDP, real GDP, and the GDP deflator for each year, using 2010 as the base year.

B). Explain in brief the multiple credit creation by commercial banks. Assume CRR to be 20%. **(08)**

Q.4 Attempt any two questions. (Each of 7.5 mark) **(15)**

1. Suppose that business travelers and vacationers have the following demand for airline tickets from New York to Boston:

Price (In $)	Quantity Demanded (business travelers)	Quantity Demanded (Vacationers)
150	2,100	1,000
200	2,000	800
250	1,900	600
300	1,800	400

   a. As the price of tickets rises from $250 to $300, what is the price elasticity of demand for (i) business travelers and (ii) vacationers?
   b. Why might vacationers have a different elasticity from business travelers?

2. Jane's Juice Bar has the following cost schedules:

Quantity	Variable Cost (In $)	Total Cost (In $)
0	0	30
1	10	40
2	25	55
3	45	75
4	70	100
5	100	130
6	135	165

   a. Calculate average variable cost, average total cost, and marginal cost for each quantity.
   b. Explain the relationship between the marginal cost and the average total cost.

3. Draw and explain how the short run trade- off between inflation and unemployment

4. Let's analyze the game between the two water suppliers that is Jack and Jill. Suppose that each supplier can produce either high production (40 Gallons) or a low production (30 Gallons). If one produce 40 Gallons than he will get $2,000 profit and if other produces 30 Gallons than he will get $1,500 profit. If both produce high production 40 gallons than both will get $1,600 profit. If both produce low production 30 gallons than both will get $1,800 profit.
   a. Draw the Pay off Matrix or decision box for this game.
   b. What is dominant strategy does they have? Explain.