

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
MBA Summer 2019 Examination

Semester: 1
Subject Code: 6200105
Subject Name: Business Economics & Environment

Date: 08/05/2019
Time: 10:30am to 1:00pm
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 (Each of 1 mark) (05)**

1. If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of that good to

- | | |
|----------------|----------------------|
| a) Increase | c) Decrease |
| b) Become Zero | d) Remain unchanged. |

2 Which of the following cost curves is never "U" shaped?

- | | |
|-----------------------|--------------------------|
| a) Average Total Cost | c) Average Variable Cost |
| b) Marginal Cost | d) Average Fixed Cost |

3 Ford Motors is an American company operation in India. Its income will be included in

- | | |
|-----------------|-------------------------|
| a) GNP of India | c) GDP of India |
| b) GDP of USA | d) GDP of India and USA |

4 M2 is equal to

- | | |
|--|---|
| a) M1 + Net time deposits with | c) C + DD + OD |
| b) M1 + Savings deposits with the post offices | d) M1 + Total deposits with the Post offices (including NSC) |

5 Which of the following is not a cause of inflation?

- | | |
|------------------------------|-------------------------------|
| a) Low aggregate demand | c) Printing of currency notes |
| b) Shortage of Raw Materials | d) High Wage Costs |

B). Define the following. (Each of 1 mark) (05)

1. Cross Elasticity of Demand.
2. High Power Money
3. Define GDP
4. What is Price discrimination?
5. What is a Cartel?

C). Direct questions. (Each of 1 mark) (05)

1. What do you mean by Natural Rate of Unemployment?
2. What do you mean by Dominant Strategy?
3. What do you understand by Internal Power Relationships.
4. What is Fiat Money?
5. What is opportunity cost?

Q.2 Answer the following questions.

A). State the Law of Demand and Explain its exceptions. (07)

B). Describe in brief the External Environment of an Organization. (08)

Q.3 Answer the following questions.

A). Compare and contrast Perfect Competition and Monopolistic Competition. (07)

B). Explain in detail the Keynesian Theory of Demand for Money. (08)

1. Complete the following table for a company whose Fixed cost is RS300/-

Qty	Variable cost	Fixed cost	Total Cost	Avg Var. Cost	Avg.Fix Cost	Marginal cost
0	0					
1	100					
2	250					
3	450					
4	700					
5	1000					
6	1350					

2. What do you understand by Dead Weight Loss? What can a monopolist do to reduce or eliminate Dead Weight Loss?
3. Explain in detail the Cost Push Inflation.
4. Some of the economic events that took place in the economy during the last year are given below. Explain what effect it will have on the demand of that product as well as on the aggregate demand in the economy?
 - a) The government released all the arrears as per the 7th Pay Commission recommendations.
 - b) The government increased the excise duty on aerated drinks (example : cola) but keeps duty unchanged for fruit based drinks (example – Maaza)
 - c) The prices of common salt shot up from 15Rs per KG to Rs 25/- per KG.
 - d) The interest rates on personal rates were cut from 16% to 12% PA.
 - e) Central Government decided to increase developmental expenditure on building Roads, Bridges and Dams.