

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
MBA, Winter 2019 - 20 Examination

Semester: 1

Date: 05/12/2019

Subject Code: 06200105

Time: 10:30am to 1:00pm

Subject Name: Business Economics & 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.

Q1. Do as Directed**A Multiple Choice Questions****(5)**

1. Economic returns are normally

a Higher than accounting profits	b Lower than accounting profits
c Equal to accounting profits	d Lower than or equal to accounting profits
2. Monopolistic competition is different from perfect competition mainly because

a In monopolistic competition entry into the industry is blocked	b In monopolistic competition firms can differentiate their products.
c In perfect competition, firms can differentiate their products	d In monopolistic competition there are relatively few entry barriers.
3. Moderate inflation

a Keeps the economic outlook optimistic	b Gives rise to economic stagnation
c Discourages economic activity	d Discourages investment
4. Which of the following does not come under the scope of Managerial Economics?

a Theory of Profit	b Theory of Capital & Investment
c Environmental Issues	d Social Issues
5. Gold can be considered as commodity money because

a It is easily divisible	b It has intrinsic value
c It is durable	d It can be stored

B Define the following (one mark each)**(5)**

1. Giffen Goods
2. Opportunity Cost
3. High Power Money
4. Cash Reserve Ratio
5. Cross Elasticity of Demand.

C Give Short Answers (one mark each)**(5)**

1. What are the various components of GDP?
2. State the Law of Demand.
3. Speculative demand for Money
4. When should a competitive firm shut down and when should it exit permanently?
5. At what quantity does a firm minimize its losses if it is making losses?

Q2. Answer the following Questions**A** What is price discrimination? Explain the different degrees of price discrimination resorted to by a monopolist giving suitable examples.**(7)****B** Explain the various factors that have a bearing on the Internal Environment of an organization?**(8)**

Q3. Answer the following questions

A What is Inflation? Explain the Keynesian Theory of Inflation. (7)

B Compare and contrast Perfect Competition and Monopolistic competition. (8)

Q4 Answer any TWO. (15)

1 Draw and explain the characteristics of different cost curves (AFC, AVC, ATC, MC,) of a typical firm. Draw the different curves in a single diagram to show the relative positions of the different cost curves.

2 Draw the circular flow of income for a two sector economy and explain why the income is equal to expenditure?

3 Sun Electronics (SE) and Moon Electronics (ME) are two players in the television market. Both are thinking whether to increase the advertising expenditure or not. It is estimated that:

i) If SE increases but ME does not increase – SE makes a profit of 15million and ME makes a profit of 1 Million.

ii) If both SE and ME increase, SE gets 10 million and ME gets 5 Million

iii) If SE does not increase, but ME increases, SE gets 5 Million and ME gets 6 Million.

iv) If both SE and ME do not increase the expenditure, each gets 6 Million.

Draw the payoff matrix and find out the dominant strategy for each.

4 "Credit money is the money created by the banking system". Explain this by taking CRR as 20% and initial deposit of Rs. 10000/-.