

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/-.