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**Question Paper Code : 44033**

M.B.A. DEGREE EXAMINATION, NOVEMBER/DECEMBER 2017

First Semester

BA 7103 – ECONOMIC ANALYSIS FOR BUSINESS

(Regulations 2013)

Time : Three Hours

Maximum : 100 Marks

Answer ALL questions

PART – A

(10×2=20 Marks)

1. Define scarcity and efficiency.
2. What is production possibility frontier ?
3. What is consumer equilibrium ?
4. Define economies and diseconomies of scale.
5. How imperfect market is different from perfect market ?
6. Write a brief note on Pareto efficiency.
7. Which one contributes more to GDP – the production of an economy car or the production of luxury car ? Why ?
8. What do you mean by multiplier effect ?
9. Give any two differences between unemployment and inflation.
10. Enumerate any four reasons for inflation.



## PART – B

(5×13=65 Marks)

11. a) i) Explain positive and negative externalities with examples. (7)  
ii) Distinguish between microeconomics and macroeconomics. (6)

(OR)

- b) Illustrate the difference between productive efficiency and economic efficiency. (13)

12. a) i) What is law of marginal utility and law of diminishing marginal utility ? Explain them graphically. (6)  
ii) Give a note on the determinants of demand and supply. (7)

(OR)

- b) Draw the marginal-cost and average-total-cost curves for a typical firm. Explain why the curves have the shapes that they do and why they cross where they do. (13)

13. a) Explain why in product markets, the substitution and income effects work in the same direction for normal goods, but in the labour market, the income and substitution effects work in opposite directions when leisure is considered a normal good. (13)

(OR)

- b) i) Explain how efficiency can be improved in perfect market conditions. (6)  
ii) Discuss about temporary differentials and equilibrium differentials in factor prices. (7)

14. a) Explain the reasons why the aggregate demand curve slopes downward. Give an example of an event that would shift the aggregate demand curve. Which way would this event shift the curve ? (13)

(OR)

- b) i) How government can use fiscal policy to influence the level of national income. (6)  
ii) What is macroeconomic equilibrium ? Describe the components of national income. (7)

15. a) How can supply-side policies help an economy to produce greater output, reduce unemployment but reduce the price level at the same time ? Explain. (13)

(OR)



b) Explain the following :

- i) Philips curve. (4)
- ii) Arthur Okun's "Leaky Bucket" concept. (4)
- iii) Monetary equilibrium. (5)

PART - C

(1×15=15 Marks)

16. a) A retail store faces a demand equation for Roller Blades given by :

$Q = 180 - 1.5P$  where  $Q$  is the number of pairs sold per month and  $P$  is the price per pair in rupees.

- i) The store currently charges  $P = ₹ 4,800$  per pair. At this price, determine the number of pairs sold. (3)
- ii) If management were to raise the price to ₹ 6,000, what would be the impact on pairs sold and on the store's revenue from Roller Blades ? (5)
- iii) Compute the point elasticity of demand first at  $P = ₹ 4,800$ , then at  $P = ₹ 6,000$ . At which price is demand more price sensitive ? (7)

(OR)

b) Explain how each of the following developments would affect the supply of money, the demand for money and the interest rate. Illustrate your answers with diagrams.

- i) An increase in credit card availability reduces the cash people hold.
  - ii) The central bank reduces banks' reserve requirements.
  - iii) Households decide to hold more money to use for holiday shopping.
  - iv) A wave of optimism boosts business investment and expands aggregate demand.
  - v) An increase in oil prices shifts the short-run aggregate supply curve to the left.
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