

VPM's
DR VN BRIMS, Thane
Programme: PGDM (2016-18)
PGDM Trimester I Examination September 2017

Subject	Managerial Economics		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	29.09.2017

- NOTE :-**
- 1) Question No. 1 is for 20 Marks. The remaining Questions get 10 marks. Write any 4 Questions from the rest.
 - 2) Question No. 1 is for 20 Marks. The remaining Questions get 10 Marks each.
 - 3) Illustration, Diagrams, and examples shall be appropriately awarded.

Q.1. (A) Read the following Case-let and answer the Questions given below it.

Inflation is the most important factor in the economy of any country. The economics are compared through the macro economic variables like, BOP, National, Income, Inflation and Interest Rates etc....

The Exchange rate between India and USA can be determined by its Macro economic variables. Inflation is the important indicator because National Product is depending upon current Market-price.

Assume that current market price Exchange rate of 1 USD = INR 55.5500. at USA inflation is at 5% p.a. In India the inflation is at 10% p.a. You can keep this information as a base for your calculation. You can find the forward rates (exchange) by adopting "Irving Fischer" Theory. By utilizing the above facts answer the following Questions.

- Q. (A)** Find the forward rates of exchange rates for 1, 2, 3,4,5,6 months. **(5)**
- (B)** Also find the forward rates for 20th Day, 98th Day, 155th Day. **(3)**
- (C)** Explain inflation and its effects in the economy, in general **(2)**

Q.1. (B) Read the following case let and answer the Question given below it.

You have been asked to provide a consultancy (Decision) for a small project of your friend. Two places have been decided for starting a small business. Xerox machines shall be installed at any one of the places A and B. A survey was made by your friend about the various business aspects of installing Xerox machines, and the business cash flow has been predicted per year for the next few years as per the details given below: The rate at which the projects to be evaluated is at 11% p.a. for project A and at 12% p.a. for project B. For project 'A' Sony Machine costing initial investment of Rs. 45,000. For project 'B' the machine is 'Modi Xerox' which would be costing Rs. 50,000. The cash flows for 8 years for project A and B given below: -

Cash Flows of project A and B Year wise:-

Year	Project A	Project B
1	Rs. 7000	Rs.7500
2	Rs. 7500	Rs. 7250
3	Rs. 7250	Rs. 7800
4	Rs. 7800	Rs. 7000
5	Rs. 8000	Rs. 8000
6	Rs. 7250	Rs. 8500
7	Rs. 8250	Rs. 9000
8	Rs. 9000	Rs. 10000

Questions:-

- (1) Which project you prefer among there two! (8)
(2) Why do you say so Give reason. (2)
-

- **Q.2. Write any two Questions. 2 x 5=10**
- (A) What is Trade off? Explain with an example.
(B) Explain comparative advantage Theory.
(C) Detail consumer choice.
-

- **Q.3. Write any two:- 2 x 5=10**
- (A) Explain Law of Demand.
(B) What all you know about Demand Forecasting?
(c) Explain various Elasticities of Demand
-

- **Q.4. Write any two:- 2 x 5=10**
- (A) Write about Market Equilibrium.
(B) Write note on Production Function.
(C) How pricing made in different Markets. Explain any two of them.
-

- **Q.5. Write any two. 2 x 5=10**
- (A) What role is played by Technology is an economy.
(B) How location of an industry done?
(C) Write a note on stock markets.
-

- **Q.6. Write any two. 2 x 5=10**
- (A) Discuss any 2 Theories of International Trade.
(B) Discuss about Regulatory and Market pricing.
(C) Discuss Social Cost-Benefit Analysis.
-

- **Q.7. Write any two. 2 x 5=10**
- (A) Explain about Monopoly Market.
(B) Explain different Models of economic system.
(C) Detail Law of supply with examples.