

**POST GRADUATE DIPLOMA IN GLOBAL
BUSINESS LEADERSHIP (PGDGBL)**

Term-End Examination

December, 2012

**MGB-006 : ECONOMIC FRAMEWORK FOR
BUSINESS DECISIONS**

Time : 3 hours

Maximum Marks : 100

Note : Attempt any five questions. All questions carry equal marks.

-
- | | | |
|----|--|----|
| 1. | Discuss two principles of economics which help in effective managerial decision making, supporting your answer with examples of each. | 20 |
| 2. | It is believed that the time of consumption is vital to measuring utility. What factors underlie this belief ? | 20 |
| 3. | Differentiate between the following, on the basis of elasticity of demand : | |
| | (a) Superior Goods and Inferior Goods | 10 |
| | (b) Complements and Substitutes | 10 |
| 4. | (a) Demand depends upon the income of the consumer, and the law of demand assumes that income is given. How is this likely to influence the demand of a commodity if its price falls ? | 10 |
| | (b) Explain the Substitution Effect. | 10 |

5. Distinguish economies from diseconomies of scale, and suggest possible causes of each. 20
6. (a) Which are the factors that distinguish monopolistic competition from perfect competition ? 10
(b) What would be the effect of prices of goods that are subject to cartelization, had cartelization not been illegal ? 10
7. Keynes coined the term 'Inflationary Gap' to describe a situation in which there is 'an excess of anticipated expenditure over available output at base prices'. Explain this phenomenon. 20
8. What challenges are faced by a government that is focusing on high economic growth, when it tries to curb inflation ? Give examples from the situation prevalent in India in present times. 20
-