

00539

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

**Term-End Examination**

**December, 2010**

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

*Time : 3 hours*

*Maximum Marks : 100*

*Note : Answer Any Five questions. All questions carry equal marks.*

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1. 'Effective managers must collect, organize and process a vast assortment of relevant operational information.' Bring out the importance of economic analysis in light of the preceding statement. 20
  
  2. (a) In a two-goods combination, a consumer would sacrifice successively less of one commodity in order to obtain more of the other commodity. Explain how utility theory works in this situation ? 10
  
  - (b) Distinguish between Total and Marginal Utility, using suitable diagrams to illustrate your answer. 10

3. Explain the income and substitution effects using 20  
examples. You may use hypothetical data to  
elucidate your response.
4. What assumptions are fundamental to Break- 20  
Even Analysis ? Calculate Break-Even Point,  
given the following information :  
Company A has fixed costs of Rs. 20,000. It sells  
each unit of output for Rs. 2.00, and incurs  
variable costs of Rs. 1.50 on each unit.  
Company B has fixed costs of Rs. 40,000. It  
manufactures the same output as Company A,  
and sells it for 2.00 Rs. per unit, incurring variable  
cost of Rs. 1.20 per unit.  
What are the Break - Even Points of A and B,  
respectively ? At what volume of output does B  
become more profitable than A ?
5. What is monopolistic competition ? Can the 20  
cigarette manufacturing industry be considered  
a case of monopolistic competition ? Why or why  
not ?
6. Explain the relationship between wage rates, 20  
employment and inflation. You may use diagrams  
to elaborate upon your response.

7. How can credit control be used for checking inflation ? Would increasing the supply of goods be a better measure of checking inflation than credit control ? 20
8. Write notes on **Any two** of the following :
- (a) Effect of Currency Devaluation on BoP.\* 10
  - (b) Impact of large capital inflows on exchange rates. 10
  - (c) Important tools for the implementation of monetary policy. 10

\* : BoP = Balance of Payments

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