IIHMR UNIVERSITY

School of Development Studies

MBA Rural Management

Batch-06th (2017-2019) First Year

Essentials of Economics

Term Examination

Time - 2 Hour **MM-70**

The question paper contains 2____ printed page.

Section 1: Microeconomics

Q. 1. GST Issues **(15 marks)**

The Goods and Services Tax (GST) rates on AC restaurants has been reduced from 18% to 5%. What are the implications of the same as far as the Indian economy is concerned? Would you recommend reducing the GST rates for multiplex movies too (currently it is at 18%). Why or why not?

Q. 2. **(25 marks)**

A large share of good quality wine comes from France and Australia. Suppose that the Marginal Cost of mining diamonds is constant at $100 per bottle and the demand for wine is described as per the following schedule:

Price($)	Quantity
800	5
700	6
600	7
500	8
400	9
300	10
200	11
100	12

Based on the above information, answer the following questions:

i. If there were many suppliers of wine, what would be the price and quantity? Why?
ii. *(5 marks)*
iii. If there were only one supplier of wine, what would be the price and quantity? Why?
iv. *(5 marks)*
v. If France and Australia formed a cartel, what would be the price and quantity? If the countries split the market evenly what would be France's production and profit? What would happen to France's production and profit if it increased its production by 1000 while Australia stuck to the Cartel agreement? *(10 marks)*
vi. Use your answer in the previous sub-question to explain why cartels are often not successful. *(5 marks)*

EXAMINATION CELL IIHMR

Section 2: Macroeconomics

Answer any Three (each question carries 10 marks)

1. What are principles of Macroeconomics?
2. Define national income. What are the methods of calculation?
3. How do fiscal policy and monetary policy work towards economic stability?
4. Describe relationship between unemployment and inflation.