Enrolment No.: ……………………………

IIHMR UNIVERSITY

School of Development Studies
MBA Development Management
Batch-3rd (2023-2025)
First Year, Term 1 End Term Examinations, November 2023
CC – 641 Essentials of Economics

Time - 3 Hour **Maximum Marks: 50 (Minimum Marks: 20)**

Instructions to students:

- **This question paper contains 1 printed page.**
- **Don't write anything on the Question Paper except writing your Enrolment No.**

Part A (Maximum Marks: 5)

Q1. Fill in the blanks / State True or False / Choose Correct option for the following:

(a) The concept that explains how changes in the price of a good impact the quantity demanded is known as __________ effect. (1)

(b) Normative economics deals with what "should be," while positive economics deals with what "is." **True or False** (1)

(c) Fiscal policy primarily involves the government's decisions regarding: (1)

a) Monetary supply and interest rates. b) Taxation and government spending.
c) Regulation of financial markets. d) Exchange rates and international trade.

(d) Public revenue is generated through various means, including ____________ and ____________ taxation, as well as non-tax sources such as fees and fines. (1)

(e) A trade surplus always indicates a healthy and strong economy, while a trade deficit is a sign of economic weakness. **True or False** (1)

Part B (Maximum Marks: 15)

Answer the following questions:

Q2. Reflect on the importance of understanding the three stages of production and their key characteristics in a modern economy. How can this knowledge benefit businesses and societies in terms of optimizing resource utilization and achieving sustainable growth? (5)

Q3. Differentiate between perfect competition and monopoly in terms of price determination. How does market structure influence prices? (5)

Q4. How can fiscal policy be used to address income inequality and achieve equitable economic growth? (5)

Part C (Maximum Marks: 30)

Answer the following questions, in detail:

Q5. Imagine you are a manager in a small manufacturing company that produces a specific consumer product. You are tasked with optimizing the production process to increase output while minimizing costs. In this context, describe the Theory of Production Function and its relevance to your role as a manager. How can understanding this theory help you make informed decisions about your production process? 15

Q6. In the context of consumer behavior, discuss the interplay of the price, income, and substitution effects when a popular, relatively affordable smartphone suddenly becomes significantly cheaper due to a promotional sale. Evaluate the overall effect of this price change on consumer demand and the broader smartphone market. Consider the practical implications for businesses in the technology industry. 15