

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

**Course: Managerial Economics
Semester- II (Batch: 2021-26)**

End Semester Online Examination: May 2022

Date: 12th May, 2022

Duration: 8 hours

Max. Marks: 50

Instructions:

- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.
- Word Limit: For each question without citation is approximately 400-600 words & \pm 50 words.

You are required to answer the problems as a phenomenon and substantiate additional facts and evidence from the conceptual world and measurement world (wherever possible). Also, support your analysis with strong arguments, reasoning, rationale and/or examples. You may take the aid of a chart, table, diagram and/or figure wherever necessary. You can cite the references in the Bluebook: A Uniform System of Citation (2015, 20th ed.).

Marks

- Q.1 The new Motor Vehicles Act has enhanced the penalties for driving errors. It has enhanced the penalty for offences where no penalty is specifically provided for the first offence from up to Rs 100 to Rs 500 and the second/subsequent offence from up to Rs 300 to Rs 1,500. Stricter penalty laws will be applicable in case of dangerous driving. First-time offenders will face imprisonment of six months to one year and/or fine of between Rs 1,000 and Rs 5,000. For the second offence, the offender will be imprisoned for up to 2 years and/or will have to pay a fine of up to Rs 10,000. In case of drunken driving, imprisonment up to 6 months and/or a fine of up to Rs 10,000 in case of a first-time offence. For the second offence, there will be a prison term of up to 2 years and/or a fine of Rs 15,000 will be levied. (10)

Driving an uninsured vehicle can actually land you in jail. According to the new Motor Vehicles Act, you can be penalized an amount of Rs 2,000 and/or imprisoned for up to 3 months for the first time you are caught driving an uninsured vehicle. For the second offence, a fine of Rs 4,000 and/or imprisonment of up to 3 months. You will have to pay a penalty of Rs 5,000 in case you are caught driving without a license. The penalty in these cases has been enhanced by 10 times. Previously, the penalty for driving without a license was Rs 500... and had many more provisions for various penalties/fines in case of driving error. So, the Motor Vehicles Amendment Act, 2019 made fines and penalties more stringent ...

Discuss the above phenomenon with help of 'Ten Principles of Economics' and other relevant economics concepts. What actions do you propose for the effective implementation of the Motor Vehicles Act? Also, what alternative model do you offer for efficient enforcement? (Discuss only those principles which are relevant to the above phenomenon.)

- Q.2 Discuss India's Fiscal Policy (as stated in table 1) and Monetary Policy (as stated in table 2) - are they complementary or competitive in nature? Discuss the current Fiscal Policy and Monetary Policy in tackling post COVID-19 market failure. What policy measure do you propose in stabilizing the Indian Economy? (10)

Table 1 : Fiscal Policy (as a percentage of GDP) & Economic Indicators

Fiscal Policy (as a percentage of GDP) & Economic Indicators	2020-2021	2021-2022	2022-2023 Budget Estimates
Fiscal Deficit	9.2	6.9	6.4
Revenue Deficit	7.3	4.7	3.8
CPI C (Headline Inflation)	6.2	5.2	5.1
GDP Growth Rate	-7.3	9	9

Employment Rate in India increased to 42.30 percent in the third quarter of 2021 from 40.90 percent in the second quarter of 2021.

Table 2: Monetary Policy Rates

Monetary Policy Rates	06-02-2020	08-12-2021	20-04-2022
CRR	4%	4%	4%
SLR	18.25%	18%	18%
Repo Rate	5.15%	4%	4%
Reverse Repo Rate	4.90%	3.35%	3.35%
MSF Rate	5.40%	4.25%	4.25%
Lending Rate	10.11 %	9.44%	8.81%

- Q.3 Discuss the IBC along with or without settlements is high/low cost – game theory. Also, elucidate the deterrence effect of IBC on debtors (prospective insolvent) with or without settlements. What is your opinion about the pre-packaged insolvency process extended to other enterprises (other than MSMEs) ? Discuss. (10)
- Q.4 In Budget 2022-2023 (Agriculture Sector), the procurement of wheat in Rabi 2021-22 and the estimated procurement of paddy in Kharif 2021-22 will cover 1208 lakh metric tonnes of wheat and paddy from 163 lakh farmers and Rs. 2.37 lakh crore direct payment of MSP value to their accounts. 2023 has been announced as the International Year of Millets. Support will be provided for post-harvest value addition, enhancing domestic consumption and branding millet products nationally and internationally. (10)

Housing for All - 80 lakh houses will be completed for the identified eligible beneficiaries of PM Awas Yojana, both rural and urban. Rs. 48,000 crore is allocated for this purpose in 2022-2023. Also, the Central Government will work with the State Governments for reduction of time required for all land and construction related approvals, for promoting affordable housing for the middle class and Economically Weaker Sections in urban areas. The Government will also work with the financial sector regulators to expand access to capital along with a reduction in the cost of intermediation.

Based on the above information, discuss the good news for farming is good or bad news for farmers in case of minimum support price. Elucidate the rent ceiling along PM Awas Yojana will be efficient/inefficient in developing the stable housing/rent market. Also, discuss an innovative model you propose in the above-mentioned phenomenon. You are required to use relevant 'managerial economics' principles.

- Q.5 Discuss the application of any two concepts - Marginal Utility (Diminishing and Equi), Production / Cost Theory, Incidence of taxation (impact of buyer & seller), oligopoly market (Kinked demand curve and Prisoner's Dilemma/ Game Theory) in the subject matter of 'Law and Managerial Economics'. You can make a hypothetical situation/setting to explain the above concepts in the context of the phenomenon (real) world. You may also apply other important basic concepts to justify your answer. (10)
