

Mid Semester Test: Feb-Mar. 2016

Managerial Economics

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: **Managerial Economics**
Semester-II (Batch: 2015-20)

Mid Semester Test: Feb-Mar. 2016

Date: 04th March 2016

Duration: 2 hours

Max. Marks: 30

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Draw the diagrams only with pencil.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

Marks

- Q.1 Write short notes on any five of the following questions and illustrate with diagram wherever necessary. (in approximately 175 – 225 words) (5x4 =20)
- (a) Explain how subsidy addresses the problem of suboptimal production for a good having positive externality.
 - (b) Explain the demand and supply for insurance.
 - (c) Derive the Edgeworth box diagram and explain Pareto improvement and Pareto efficient positions.
 - (d) Explain allocative efficiency and productive efficiency.
 - (e) Explain how trade between countries increases overall welfare.
 - (f) Explain game theory as applicable to a duopoly market.
 - (g) Explain the liability system as an exchange system
- Q.2 Explain any five of the following questions with reasons or examples and draw diagrams wherever necessary. (in approximately 30-40 words) (5x2 =10)
- (a) Explain efficient punishment with regard to white collar crime.
 - (b) Explain retribution and deterrence as an exchange.
 - (c) Explain the concept of least cost risk avoider with regard to contracts.
 - (d) Explain the features of a public good.
 - (e) Explain Kaldor-Hicks definition of efficiency
 - (f) Describe the following Mankiw's principles of economics:
 - (i) Prices rise when the government prints too much money.
 - (ii) Rational people think at the margin.
 - (g) Discuss the following case study:
How does a seat belt law effect auto safety? (use the concept of incentive)

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