

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: **Managerial Economics**
Semester-II (Batch: 2016-21)

Mid Term Examination: Feb-March. 2017

Date: 3rd March, 2017

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.
- 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.

Part-A

Marks

Q.1 Explain **any five** of the following questions with reasons or examples and draw diagrams wherever necessary. (in approximately 30-60 words) (5x3=15)

- (a) (i) In case of perfectly elastic demand and perfectly elastic supply: what responsive change will take place in quantity demanded/supplied with respect to increase and decrease in price?
(ii) Use the following information to calculate the price elasticity of demand (Mid-Point Method) for hotel rooms:

Price (P)	Quantity Demand (Qd)
\$70	5000
\$90	3000

In case price increases from \$ 70 to \$ 90, what will be the price elasticity of demand? Whether price elasticity of demand will be different in case of decrease in price from \$ 90 to \$ 70 ? (Use only Mid-Point Method)

- (b) (i) Can good news for farming be bad news for farmers?
(ii) Does drug interdiction increase or decrease drug-related crimes?
- (c) (i) Describe the case study by Venkatram and Deodhar in 1999 with respect to demand for coffee in India.
(ii) Consider the following events: Scientists reveal that consumption of oranges increases the risk of diabetes & cancer, and at the same time, farmers use a new fertilizer that makes orange trees more productive. Illustrate and explain what effect these changes have on the equilibrium price and quantity of oranges. Explain this query with the help of demand and supply curve.
- (d) (i) Use a production possibility frontier to describe the idea of tradeoffs, opportunity cost and economic growth.
(ii) Positive versus Normative Analysis
- (e) (i) Society faces a short-run trade-off between inflation and unemployment.
(ii) How does a seat belt law effect auto safety? (use the concept of incentive)
- (f) Why is supply curve upward sloping in relation to price? (Explain this concept with the help of marginal cost and marginal productivity.)