AJEENKYA
D Y PATIL UNIVERSITY

End Term Examinations (December 2018)

School: MANAGEMENT **Program: MBA**

Course: MANAGERIAL ECONOMICS **Course Code**: MGT502

Semester: I **Max Marks: 100** **Duration (mins)** :180

Note: 1. Figures to the right indicates full marks.

SECTION A

Q.1 ANSWER THE FOLLOWING (All questions) (20)

Q.1. Distinguish between Economics and Managerial Economics?

Q.2.What is positive and negative externality give examples of each?

Q.3. Compare the concept of cardinal and ordinal utility.

Q.4. Explain the relationship between Long Run Average Cost and output. With the help of diagrams.

Q.5. Why is normal indifference curve convex to origin?

Q.2 ANSWER THE FOLLOWING (20)

A. Explain the law or demand with the help of a graph?

OR

A. Explain with the help of a neat diagram the equilibrium of Demand and Supply?

Q.3 Define the following (any 5) (20)

1. Gross domestic product
2. Gross National product
3. Inflation
4. Economic growth

5. MRTS

6. Business cycles

Q.4 Answer the following? (Any four) (20)

1. What is demand forecasting? What are the various methods of demand forecasting?

2. What is Globalization and how has it impacted the Indian economy?

3. Differentiate between Economic Growth and Economic Development with examples?

4. What is the difference between economies and diseconomies of scale?

5. Law of diminishing returns?

SECTION B

CASE STUDY (20)

No slowdown in silver demand Silver is easier to figure if you see it as a market with two intertwining strands. Its demand, supply and prices each have two independent dynamics at work. The dichotomy and influence of these strands on each other makes this market no place for old men. Consider supply. The world gets silver from silver mines, and what governments and people sell. In 2008, supply crossed 28,500 tones. Silver mines accelerate production when prices are attractive. People and governments too sell their family silver when prices are attractive. When prices plummeted after the financial crisis last year, scrap sales plummeted too. But the world also gets a huge quantity of silver as a by-product of lead, zinc, copper and gold mines. As these mines are focused on the price of their primary metal, they continue to produce silver irrespective of its price signals. Put together, you can never bet silver supply will directl y respond to price. There is a similar dichotomy at work in demand as well. On the one hand, silver is bought as a precious metal to hedge against inflation, currency fluctuations and general economic malaise. So whenever there is fear and panic in the market, people gravitate towards silver. On the other hand, silver is simply another raw material used by factories in making everything from camera films to jewellery, electronics, batteries, hi-tech clothing and radio frequency tags. Actually half the silver sold is consumed like this. When factories slow down, as they did in the last one year, silver’s demand drops too. So demand for silver is a see-saw between its avatar as a precious metal and its day job as an industrial metal. The global recession which wrote off silver’s industrial consumption also re-ignited its bullion demand. How money flows into silver is an equally motley mix. Investors — these could be households, wealthy individuals, exchange traded funds and institutions — believe silver is a store of value and buy it in the form of paper, coins and bars. Ignoring silver's physical demand-supply fundamentals, they trade in silver the way they would gold and closely track the price relationship between the two. A few far-sighted investors are not bothered about the gold-silver connection. Instead, they are putting their faith in silver's physical demand-supply fundamentals. Though demand for silver to make photography films has sharply dropped in the age of digital cameras, these investors believe supply would not keep pace with total industrial demand in the coming years. While a lot of above-ground silver would continue to re-enter the production cycle each year, investors are hopeful the world will find new commercial uses to suck it out too. The punters, however, believe silver is simply a shorter route to profit than gold. They speculate on short term price movements on commodity exchanges and use both long and short instruments to gain exposure to silver price. Punters know that in te rms of value, the physical gold market is much bigger than silver. Being smaller makes the silver market less liquid and more susceptible to volatility. In short, it is perfect for getting over-the-top money if you have the courage to bet on it. The combined motives and trading strategies of investors and speculators keep the silver market full of frenetic activity. Where does that leave you? With two choices obviously! You could put your faith in silver as a precious metal and hope its value will rise in line with gold. Or you could see it as just another metal that sometimes even moves in tandem with copper and is currently plagued by lack lustre physical consumption. One thing is certain. Both ways will bring you plenty of edge-of-the-seat excitement.

Questions

1. On the basis of the facts given in the case describe the factors that influence demand for silver in India.

2. On the basis of the facts given in the case describe the factors that influence supply of silver in India.

3. "Prices of silver are influenced by the dynamics of demand and supply." Do you agree? Give reasons.