GNANAM
SCHOOL OF BUSINESS
Wisdom in Business
AUTONOMOUS

Reg. No.:

Question Paper Code :25MB03

MBA DEGREE EXAMINATION APRIL/ MAY 2026

First Semester

MB25C03- Managerial Economics

(Regulation: 2025)

Time : 3 Hours | Answer ALL Questions | Max. Marks 100

PART-A (10 x 2 = 20 Marks)

1. Define “Scarcity” in Economics.
2. Recall the differences between Productive Efficiency with Economic Efficiency.
3. Discuss about Consumer Equilibrium.
4. Explain Market Equilibrium.
5. Outline the significance of Economies of Scale.
6. Summarize about Cost function.
7. Describe Circular flow of Income.
8. State Multiplier Effect.
9. Define Okun’s law .
10. List the effects of Inflation.

Part – B (5 x 13 = 65 marks)

11. a) Demonstrate Production Possibility Frontier (PPF) in detail.

OR

b) A competitive market firm produces cheap goods but pollutes a nearby river, harming local residents.
Identify the type of externality and explain how the government can intervene to correct it.

12. a) Examine the key determinants of demand.

OR

b) Classify the various types of Elasticity of Demand.

13. a) A factory increases output by hiring more workers while keeping machines constant, but productivity starts to slow down.
Describe the concept illustrated and explain what is happening to marginal product.

OR

b) Illustrate the various Types of Pricing model.

14. a) Discuss the types of Market structures in detail.

OR

b) A construction company hires more labor and rents additional machinery to complete a large housing project, paying wages and rent accordingly. Outline the role of the factor market in this situation and explain how it helps in production.

15. a) Examine the determinants of National Income.

OR

b) Examine the Role of Fiscal policy in detail.

PART C (1 X 15 = 15)

16. a) **Inflation Surge and Monetary Tightening in India (2022–2024)**

India experienced a significant rise in inflation during 2022–2024, largely due to global and domestic factors. The after-effects of the COVID-19 disrupted supply chains worldwide, increasing the cost of raw materials and logistics. Additionally, rising global crude oil prices contributed to higher transportation and production costs, leading to cost-push inflation. At the same time, strong recovery in demand after the pandemic created demand-pull inflation.

The Reserve Bank of India responded by tightening monetary policy. It increased the repo rate multiple times to reduce liquidity in the economy. Higher interest rates made borrowing more expensive, reducing consumption and investment demand. This helped in gradually bringing inflation under control within the target band.

However, this policy had trade-offs. As predicted by the short-run Phillips Curve, reducing inflation came at the cost of slower economic growth and a slight rise in unemployment. Industries sensitive to interest rates, such as housing and automobiles, experienced reduced demand. Moreover, since a large part of inflation was supply-driven (food prices, fuel), monetary policy alone could not fully address the problem.

This case highlights the interaction between money supply, interest rates, and national income. It also demonstrates the limitations of demand-management policies when inflation is caused by supply shocks. Overall, India managed to stabilize inflation, but the process involved balancing growth and price stability.

Questions (each question carries 3 marks)

1. Find the main causes of inflation in India (2022–2024)?
2. Explain RBI's measures to control inflation?
3. How did monetary tightening affect unemployment and economic growth?
4. Analyze why monetary policy was less effective in controlling inflation fully?
5. What does this case reveal about the Phillips Curve in the short run?

OR

b) **Post-Pandemic Recovery and Monetary Expansion (2021–2023)**

Following the economic contraction caused by the COVID-19, India adopted expansionary monetary and fiscal policies to revive growth. The Reserve Bank of India reduced repo rates and injected liquidity into the banking system. This increased the money supply, lowered interest rates, and encouraged borrowing and investment.

As a result, aggregate demand increased, leading to a recovery in GDP growth. Sectors such as manufacturing, infrastructure, and services rebounded strongly. The rise in demand also increased employment opportunities, though recovery in the informal sector remained uneven.

However, the increase in money supply and demand also led to inflationary pressures. Supply chain bottlenecks and rising global commodity prices further aggravated inflation. This created a situation where both inflation and unemployment existed simultaneously in certain sectors, challenging the traditional Phillips Curve relationship.

The case illustrates how money market equilibrium affects national income. Increased money supply shifts the equilibrium, lowers interest rates, and boosts investment and output. However, if supply does not expand at the same pace, it results in inflation.

In the long run, the economy adjusted as supply chains improved and policies normalized. This case emphasizes the importance of coordinating monetary policy with supply-side measures such as improving infrastructure, boosting productivity, and reducing bottlenecks.

Questions. (each question carries 3 marks)

1. Discuss the policies that were adopted by India for post-pandemic recovery?
2. How did expansionary monetary policy affect money supply and interest rates?
3. What the impact on national income and GDP growth?
4. How did the recovery impact unemployment in India?
5. Why did inflation rise during the recovery period?