

9-12-16

DOON UNIVERSITY, DEHRADUN  
Final Semester Examination, 2016  
Department of Economics  
M.Sc. (Economics) First Semester  
SSEI- 110: Microeconomics-I

**Time Allowed: 3 Hrs.**

**Maximum Marks: 50**

**Note: Attempt All Questions from Sections A,B,C.**

**SECTION : A**

All questions are compulsory and carry equal marks.

**Answer whether true or false and give reasons using appropriate equations and diagrams** **(Marks: 5x2=10)**

1. Income elasticity of demand will be zero when a given change in income brings about no change in demand
2. When  $MRTS_{LK}$  is 2, then  $MP_K/MP_L$  is equal to 2
3. A monopolist does not have a supply curve
4. If the price elasticity of demand is inelastic ( $e < 1$ ), an increase in price leads to an increase in total revenue.
5. The Value of Marginal Product (VMP) and the Marginal Revenue Product (MRP) for a firm under imperfect market condition are equal.

**SECTION : B**

**Answer any FOUR. Word limit: 250 words** **(Marks: 4x5=20)**

1. Discuss about economies of scale and diseconomies of scale.
2. Using a hypothetical one commodity market model, mathematically determine the equilibrium price and quantity. Graphically show what happens when there is excess supply and how price is adjusted.
3. Define and discuss the relationship between the following: Average Total Cost, Average Fixed Cost, Average Variable Cost and Marginal Cost. Use suitable diagrams to support your answer.
4. Define proportional demand and perceived demand. Using a suitable diagram show how an industry producing a homogenous but differentiated product attains equilibrium and earns normal profit.
5. Define derived demand. Using a suitable diagram derive the conditions for equilibrium when the product market and factor market are under perfect condition.

**SECTION : C**

**Attempt any TWO. Word limit: 700 words** **(Marks: 2x10=20)**

1. Define a production function and represent it mathematically. State the Law of Variable Proportions and the Law of Returns to Scale. Using suitable diagrams discuss the stages of production in the operating phase of a firm. Which is the most productive stage and why? **(2+2+4+1+1)**

2. Define a monopoly market and state two important features. What are the conditions for equilibrium for a firm in a monopolistic condition? Using suitable diagrams, discuss how a monopoly firm a) earns normal profit, b) supernormal profit, c) loss

(2+2+6)

3. Using suitable diagrams discuss how factor price is determined under imperfect market condition.

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