

15-12-2015

DOON UNIVERSITY, DEHRADUN
Final Semester Examination, 2015
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 the following:

(Marks: 5x2=10)

1. If total consumer expenditure on a good falls as its price falls, what can you say about the price elasticity of demand? Give reasons.
2. A consumer consumes two goods X and Y. If Y is an inferior good and X is a normal good, draw the Income Consumption Curve.
3. Suppose an economy produces two goods X and Y. Draw the graph showing the different production possibilities. What does an outward shift of the curve you have drawn indicate?
4. If $MRTS_{LK}$ is 2, then what is the value of MP_K/MP_L ? Derive the answer through proper equations.
5. The following figures gives the cost of a firm
 - a) Number of units produced = 10
 - b) TVC (Total Variable Cost) = 200
 - c) TAC (Total Average Cost) = 30Find the AFC (Average Fixed Cost). Use suitable equations to find the answer.

SECTION : B

Answer any FOUR. Word limit: 250 words

(Marks: 4x5=20)

1. A product was selling for ₹ 10 and the quantity demanded was 1000 units. The product price changes to ₹ 14 and as a result the quantity demanded changes to 500 units. Calculate the price elasticity.
2. Distinguish between explicit cost and implicit cost with a suitable example.
3. Using suitable diagrams explain the reasons for the shape of the Long Run Average Cost Curve.
4. Determine how price of a factor of production is determined under a perfectly competitive factor market. Use appropriate diagrams to explain your answer.
5. What is monopolistic competition? Give examples. Discuss the characteristics of a monopolistic market model.

SECTION : C

Attempt any TWO questions. Word limit: 700 words

(Marks: 2x10=20)

1. Explain with suitable diagrams the three stages of production. Which is the most efficient stage in which a firm will produce and why?
2. Define Price Effect, Substitution Effect and Income Effect. Differentiate between Hicks Substitution effect and Slutsky Substitution Effect. Use suitable diagrams to explain your answer.
3. State the conditions for equilibrium in a monopoly firm. Using suitable diagrams explain when a monopoly firm will attain normal profit, supernormal profit and a loss.
