

22/8/2018

DOON UNIVERSITY, DEHRADUN  
Mid-term Examination, 2018  
Department of Economics  
School of Social Sciences  
MSc Second Semester  
SSEI 150: Microeconomics II

*Time Allowed: 2 hrs.*

*Max. Marks: 30*

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

**SECTION : A**

All questions are compulsory and carry equal marks.

*(Marks: 3x2=6)*

1. Trace the Indifference curve for car and petrol.
2. If labour and capital change by the same proportion, how will the output change?
3. Define labour-intensive and capital-intensive production function. Given two factors of production, labour and capital, how will you determine if a production function is labour intensive or capital intensive?

**SECTION : B**

Answer any THREE.

*(Marks: 3x4=12)*

1. Differentiate between the Indifference Curve Theory and the Revealed Preference Theory.
2. Given the linear demand function  $X = a - bP$  where  $X$  is output,  $P$  is price and  $a$  and  $b$  are parameters. Show mathematically that the average revenue is equal to the price.
3. What is lexicographic ordering? How is it different from a normal ordering of goods and commodities? Use suitable diagram to explain your answer.
4. What is a production function? When is a production function linearly homogenous? Use suitable equations to support your answer.

**SECTION : C**

Answer any ONE.

*(Marks: 1x12=12)*

1. Discuss any two recent developments in the Theory of Demand.
2. Write Cobb-Douglas Production Function. What are the properties of this function? Discuss each property using suitable mathematical calculations, wherever necessary.

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