

30-3-2016



Doon University, Dehradun
Mid Semester Examination, 2016
School of Social Science
MSc Semester – II (Economics)
Course – SSEI -150
Microeconomics

Time Allowed: 2hrs

Maximum Marks: 30

Section - A

(5x1 = 5 Marks)

Attempt all questions

1. Define production function.
2. Explain the homogeneity of the production function.
3. Explain the supply curve of the firm in perfect competition.
4. Write the generalised form of CES production function.
5. Assume that the market wages are increased. What will happen to the equilibrium price and quantity in the short-run?

Section - B

Attempt all questions

1. Derive the supply curve of the increasing cost industry. (2 Marks)
2. Explain the effects of imposition of a specific sales tax on the price when
 - (a) Supply is more elastic
 - (b) Supply is less elastic(2 Marks)
3. Show the optimal expansion path with all the factors variable (long-run) and expansion of output with some factors constant (short-run). (3 Marks)
4. Suppose the rents of the buildings occupied by a firm are raised.
 - (a) What will happen to the cost curves of the firm?
 - (b) How will it affect the equilibrium position in the short-run?
 - (c) What will happen to the firm if before the change in costs it was in its long-run equilibrium? (3 Marks)

Section - C

(3x5=15 Marks)

Attempt all questions.

1. What is Cobb-Douglas production function? Explain the concept of marginal product, marginal rate of substitution and elasticity of substitution with the help of Cobb-Douglas production function.

OR

Examine $\alpha+\beta=1$ case, to verify three properties of linear homogeneity. (Use Cobb-Douglas production function)

2. Explain any four assumptions of perfect competition and also explain the short-run equilibrium of the industry in case of perfect competition.
3. Show the use of production function in the choice of optimal combination of factors by the firm. Discuss the case of output maximisation for a given cost constraint.

OR

Derive graphically the cost curves from the production function.