



**DOON UNIVERSITY, DEHRADUN**  
**Mid Semester Examination, 2014**  
**Department of Economics**  
**M.Sc. (Economics) First Semester**  
**SSEI- 110: Microeconomics-I**

**Time Allowed: 2 Hrs.**

**Maximum Marks: 30**

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

**SECTION : A**

**All questions are compulsory and carry equal marks.**

**Answer TRUE or FALSE and give reason for your answer.**

**(Marks: 1x6=6)**

1. ONGC is an industry
2. Demand is a function of ONLY the price of the product.
3. According to Cardinal Utility Theory, consumer is in equilibrium when the MU of good x is equal to the price of the good.
4. The Indifference Curve for two goods complementary to each other is a straight line.
5. The Revealed Preference Theory was postulated by Hicks.
6. When the Income elasticity of a good is greater than one, it can be termed as a luxury good.

**SECTION : B**

**Answer any THREE. Word limit: 250 words**

**(Marks: 3x4=12)**

1. State the properties of an Indifference Curve.
2. If Good A and Good B are substitute goods how will an increase in the price of Good A change the demand for Good B. What is the value of the cross elasticity of demand for the two goods?
3. Define Marginal Rate of Substitution of good x for good y. What is the logic behind Diminishing Marginal Rate of Substitution?
4. Show using suitable diagram why Indifference curves cannot intersect.

**SECTION : C**

**Attempt any ONE Question. Word limit: 700 words**

**(Marks: 1x12=12)**

1. Define the budget of a consumer. Show diagrammatically how a consumer attains equilibrium according to the Indifference Curve Theory.
2. Explain the Revealed Preference Theory using suitable diagram.