

MICRO ECONOMICS

Duration: 2 Hours

Max. Marks: 60

Instructions: All questions are compulsory.

Start each question on a fresh page.

Figures to right indicate full marks.

Q1a. Explain the usefulness of business economics in decision making. (8)

Q1b. Outline the exceptions of law of demand (4)

OR

Q1x. Discuss the features of a capitalist economy. (6)

Q1y. Explain the different factors affecting supply. (6)

Q2. Answer **any four** of the following: (3x4=12)

a. The price of movie ticket increases from Rs.100 to Rs.150 the number of people going to watch the movie falls from 200 people to 160 people. Find price elasticity of demand for movies.

b. Consumers income increases from Rs 1000 to Rs 1500. The consumer increases his purchases from 25 units to 35 units. Find consumers income elasticity of demand.

c. When market price changes from Rs.28 to Rs.25 the demand expands from 80 units to 100 units. Find arc elasticity of demand.

d. If there is change in the price of apples from Rs.58 to Rs.65 the total supply of apples increases from 1000 units to 1200 units. Find price elasticity of supply.

e. A firm increases its advertisement expenditure from Rs.20000 to Rs.25000. The sales increased from 10000 units to 12000 units. Find advertising elasticity.

Q3. Answer **any Four short notes**: (3x4=12)

a. Types of Income Elasticity

b. Importance of Price elasticity of demand

c. Economies of scale

d. Features of LAC curves.

e. Relationship between average cost and marginal cost.

Q4a. Illustrate with the help of diagram the stages of the Law of returns to scale. (12)

OR

b. Graphically explain the Law of variable Proportion. (12)

Q5a. What is monopolistic competition? State the features of monopolistic competition. (6)

b. With the help of a diagram explain the shifts in demand and its impact on equilibrium. (6)

OR

Q5x. Discuss the various pricing methods. (6)

y. Explain the determination of equilibrium price and output of the industry under Monopolistic competition. (6)