

(Please write your Exam Roll No.)

Exam Roll No.

END TERM EXAMINATION

FIRST SEMESTER [B. COM(HONS.)] NOVEMBER-DECEMBER 2018

Paper Code: B. COM (Hons)-105 Subject: Microeconomics

Time: 3 Hours Maximum Marks: 75

Note: Attempt all questions as directed. Internal choice is indicated.

- Q1 Define the following (any five) (5x5=25)
- (a) Law of demand vs. Law of quantity demanded
 - (b) Promotional Elasticity of Demand
 - (c) Fixed Cost
 - (d) Monopolistic market
 - (e) Production function
 - (f) Ordinal approach Vs Cardinal approach
 - (g) MRTS and MRS
 - (h) Substitution effect and income effect
- Q2 Given the market demand function $QD_x = 500 - 50P_x$, derive (12.5)
- (i) The market demand schedule
 - (ii) The market demand curve

Explain the different methods of measuring price elasticity of demand. Find the arc elasticity of demand between Rs. 4 and Rs. 6, Rs. 6 and Rs. 4 and midway between these two prices, in the above schedule.

OR
From the table given below, calculate the cross elasticity of demand between X and Y. What is the relationship between the two goods?

commodity	Before		After	
	Price (Rs/Unit)	Qty (Unit/Week)	Price (Rs/Unit)	Qty (Unit/Week)
X	100	15	100	10
Y	300	30	200	40

- Q3 With the help of diagrams show the relationships between Average Total Cost (ATC), Average Fixed Cost (AFC), Average Variable Cost (AVC) and Marginal Cost (MC) in the short-run. How is MC related to Marginal Product of Labor (MP_L)? (12.5)

OR

Explain that long-run marginal cost curve is derived from short run marginal cost curves but does not envelop them.

- Q4 Show that in a Cobb-Douglas production function $q = f(x,y) = Ax^\alpha y^{1-\alpha}$, where A and α are positive constants and $0 < \alpha < 1$ and x and y are the input, if all the inputs are expanded in the same proportion, output is expanded in that proportion. (12.5)

P.T.O.

OR
What is the long-run expansion path of a firm? With the help of diagrams, show the relationship between long-run total cost and the expansion path.

- Q5 Explain with the help of a diagram, how a firm under perfect competition uses information about revenue and cost to make a profit-maximizing output decision in the short-run. (12.5)

OR
Given the demand function $p = 90 - q$ and cost function $TC = 10 + 2q + 3q^2$. Calculate profit maximizing output of a monopolist firm. What would be the impact of a tax of Rs. 8 per unit of output on price and profit respectively.

BCOM-105
P/2

BCOM-105
P/2

ON