

END TERM EXAMINATION

FIRST SEMESTER [B.COM(HONS.)] NOVEMBER - DECEMBER 2019

Paper Code: BCOM 105

Subject: Microeconomics
(Batch: 2017 onwards)

Time : 3 Hours

Maximum Marks : 75

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

Q1. Write short notes on **any five**: (5x5=25)

- ~~a)~~ Law of diminishing marginal utility.
- ~~b)~~ Production function
- ~~c)~~ Price elasticity of demand
- ~~d)~~ Fixed Cost Vs Variable Cost
- ~~e)~~ Opportunity Cost
- ~~f)~~ Substitution effect and income effect

Q2. With the help of diagrams, distinguish between an increase in the demand for a good and an increase in the quantity demanded. With the help of calculus, show the relationship between Average Revenue (AR), Marginal Revenue (MR) and price elasticity of demand. (12.5)

OR

Given the two demand schedules below, use the total expenditure method to determine whether the associated demand curves are elastic or inelastic.

Price(Rs)	6	5	4	3	2	1
Q _x	100	110	120	150	200	300
Q _z	100	150	225	325	500	1100

Q3. If $TC = (50+Q) (90+Q)$ where TC=Total Cost, Q=Units of goods produced, find TFC, AFC, TVC, AVC, AC and MC. Derive the long run supply curve for an increasing cost industry. (12.5)

OR

A firm should shut down if the price of the product is less than the average economic cost of production at the profit maximizing output. Explain with the help of diagrams.

Q4. Diagrammatically show and explain a firm's equilibrium with the help of isoquants and iso-cost line. Explain the concept of Marginal Rate of Substitution. (12.5)

OR

Distinguish between economies of scale and returns to scale. Explain the concepts of cost-output elasticity, E_c , as a measure of economies of scale. What is learning curve? How is learning curve different from economies of scale?

Q5. "The long run equilibrium of a competitive industry occurs when firms are earning zero profits". Elaborate. (12.5)

OR

Assume a firm has the following revenue and total cost functions;

$$TR = 320Q - 2Q^2$$

$$TC = 1800 + 50Q + 3Q^2$$

Determine:

The level of output at which the firm will be maximizing profits;

The level of output at which total revenue will be maximum.

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