



BRAINWARE UNIVERSITY

Course –BCOM

Micro Economic Theory and Application (BCM202 / BCMC202)

(Semester – 2)

Time allotted: 3 Hours

Full Marks: 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*

(i) A normal good is one

- | | |
|--|--|
| a. which all people like. | b. which all normal people like. |
| c. for which demand increases when price decreases | d. for which demand increases when income increases. |

(ii) Production function shows

- | | |
|-----------------------------------|--|
| a. Price of input and output | b. Relationship between output and input |
| c. Various combinations of inputs | d. All of the above |

(iii) If income increases there will be

- | | |
|---|--------------------------------------|
| a. a shift of the demand curve | b. a movement along the demand curve |
| c. a movement along and a shift in the demand curve | d. no effect on the demand curve |

(iv) Which of the following statements is false

- | | |
|--|---|
| a. Price elasticity of demand is negative for most products. | b. Price elasticity of supply is positive for most products |
| c. Income elasticity of demand is positive for normal goods | d. Cross elasticity of demand is positive between complements |

- (v) According to the law of demand
- a. there is a positive relationship between quantity demanded and price
 - b. as the price rises, demand will shift to the left
 - c. there is a negative relationship between quantity demanded and price
 - d. as the price rises, demand will shift to the right
- (vi) Profit is
- a. The difference between total cost and variable cost.
 - b. The difference between total revenue and total cost
 - c. Earned at all points along the production function
 - d. Only possible with technical efficiency
- (vii) In a Perfectly Competitive market there exists
- a. Single buyer
 - b. Large no of buyers
 - c. Few buyers
 - d. All of the above
- (viii) Price discrimination is a situation when a producer
- a. Charges different prices in different markets
 - b. Charges same price
 - c. Charges many prices
 - d. All of the above
- (ix) The short run is a time period in which
- a. All resources are fixed.
 - b. the level of output is fixed
 - c. the size of the production plant is variable
 - d. Some resources are fixed and others are variable
- (x) Shape of Total Fixed cost Curve is
- a. Vertical
 - b. Horizontal
 - c. 45 Degree Line
 - d. None of the Above

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

2. Define the Law of Demand. Give two examples of substitute goods and complementary goods. [3+2]
3. Define Iso-Quant Curve. Write the characteristics of it. [2+3]

4. Define Marginal Product and Average Product. Write the relationship between MP and AP. [5]
5. What is Production function? Distinguish between short run and long run production function. [5]
6. Distinguish between perfect competition and monopoly. [5]

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. (a) What is Returns to Scale? Write the types of it and explain graphically. [2+6]
 (b) Define three stages of production with proper diagram. [7]
8. (a) What is elasticity of demand? [2]
 (b) Describe the different types of elasticity of demand. [8]
 (c) Define Elastic Demand, Inelastic Demand and Unit Elastic Demand with proper example. [5]
9. (a) What is the budget line of the consumer? What is Income Consumption Curve? [3+4]
 (b) Graphically show the slope and shift of the budget line. [8]
10. Define *any three* from the following:
 i) Expansion Path
 ii) Indifference Curve
 iii) Concept of supply and the law of supply
 iv) Exceptions to the law of demand [5*3]
11. (a) Why Average Cost Curve is U-shaped? [8]
 (b) Why long run average cost curve is known as “Planning Curve?” [7]