BRAINWARE UNIVERSITY

Course – B.Com.

Micro Economic Theory & Application (BCMC 202)

(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 Questions)

1. Choose the correct answer from the given alternatives: 10x1=10

i) Which is not a determinant of demand?
- A) income
- B) the cost of inputs in production
- C) the prices of related goods
- D) future price expectations

ii) 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

iii) Which of the following statements about firms in different types of market is false?
- a. A perfect competitor has no influence over the price of its product.
- b. A monopolistic competitor may engage in non-price competition.
- c. An oligopolist may monitor the prices and products of all the other firms in its market.
- d. A monopolist must be a large firm.

iv) People demand more of product X when the price of product Y decreases. This means X and Y are:
- A) complements.
- B) substitutes.
- C) not related.
- D) None of the above

v) A production long run function shows the:
- A) Minimum amount of output that can be obtained from alternative combinations of inputs.
- B) Maximum quantities of inputs required to produce a given quantity of output.
- C) Maximum output we can produce with varying combinations of factor inputs.
- D) Output capacity of the entire economy.

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) Costs of production that change with the rate of output are:
- A) Sunk costs. B) Variable costs. C) Opportunity costs. D) Fixed costs.

viii) The change in total output associated with one additional unit of input is the:

A) Opportunity cost of the output. C) Marginal product.

B) Average productivity. D) Marginal cost.

ix) Which of the following is most likely a fixed cost?

A) Raw materials cost. B) Labor cost. C) Energy cost. D) Property taxes.

x) 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

Group – B

(Short Answer Type Question) **3 x 5 = 15**

Answer any three questions

2. What is the marginal rate of substitution, MRS? State the definition and explain.

3. What is Isoquant curve? Write the characteristics of it.

4. Graphically show the relationship between AC and MC.

5. Define Product differentiation and Price Discrimination.

6. Why does demand curve slope downward?

Group – C

(Long Answer Type Question) **3 x 15 = 45**

Answer any three questions

7. What is the price effect? Show that price effect is the resultant of substitution effect and income effect. [3 + 12]

8. Write down the main features of Oligopoly and Monopolistic competition. Describe price and output determination in a perfectly competitive market in the short run. [4+4+7]

9. What is the budget line of the consumer? Mention the factors which determine the position and the slope of the budget line. Represent ICC curve graphically for the case of giffen goods and normal goods. [2+5+8]

10. Discuss law of variable proportions and law of returns to scale. [15]

11. Define monopoly. Show the short-run and long-run equilibrium of a monopolist firm. [1 + 7 + 7]