



ST. FRANCIS DE SALES COLLEGE

A FRANSALIAN INSTITUTE OF HIGHER EDUCATION **AUTONOMOUS**

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END SEMESTER EXAMINATION – DECEMBER 2024

ECONOMICS – I SEMESTER BA

24UBA14A – MICRO ECONOMICS

Time: 3 Hours

Max. Marks: 80

Instruction: Answer should be written completely in English.

SECTION - A

Answer any ten of the following. Each question carries two marks.

(10x2=20)

1. The price of Basmati rice increases from Rs 250 to Rs 500 and as a result, the quantity supplied increased from 100 kg to 200 kg. However, there was a steep fall in demand from 200 kg to 50 kg. Calculate the price elasticity of demand and supply.
2. Draw a set of indifference curves and explain why the indifference curve takes a convex curve shape?
3. Define a production function. How does a long-run production function differ from a short-run production function?
4. State the difference between the slope of demand and supply curves and the reason for it.
5. What is cross elasticity of demand? Give suitable example.
6. Classify the following into fixed cost and variable cost –
 Rent on the building, interest on borrowed capital, insurance premium and transport cost.
7. What is the significance of shutdown point under perfect competition?
8. Let's say that you bought an airline ticket for a flight to Disney World during school vacation week for Rs.100, but you were expecting and willing to pay Rs.400 for one ticket, determine and compute the consumer surplus.
9. State the conditions for price discrimination by the monopoly producer.
10. Distinguish between Average Cost (AC) and Marginal Cost (MC) with a suitable example.
11. Define the theory of second best under welfare economics.
12. Define the term quasi-rent.

SECTION - B

Answer any six of the following. Each question carries five marks.

(6x5=30)

13. The coffee market has the following demand and supply schedule:

Price (Rs.)	Quantity demanded	Quantity supplied
40	130	30
50	100	50
60	80	80
70	60	90



80	50	110
90	40	120

- a. Graphically show the equilibrium price and quantity in this market.
b. Show the effect of an increase in income of the consumer on demand for coffee.
14. a. Define Total Revenue (TR), Marginal Revenue (MR) and Average Revenue (AR).
b. Calculate the same from the given information -

Price	10	20	30	40	50	60	70
Quantity demanded	100	90	80	70	60	50	40

15. Explain the attributes related to Uncertainty Theory of Profit.
16. Calculate price elasticity of demand using the Total Outlay/Expenditure method and graphically represent the same.

Case	Price Per Unit (in Rs.)	Quantity Demanded (in units)
A	8	40
	4	200
	10	200
B	8	40
	4	80
	10	32
C	8	400
	4	600
	10	200

17. With the help of a diagram explain why Long-Run Average Cost curve is called Planning Curve and an Envelope Curve.
18. Explain using isoquant, how the producer chooses the optimal combination of inputs.
19. Differentiate between the monopolistic and oligopoly markets.
20. State the Kaldor -Hicks Criterion for an improvement in general welfare.

SECTION - C

Answer any three of the following. Each question carries ten marks.

(3x10=30)

21. Answer the following:

- a. Explain the internal and external economies of scale. (5 Marks)
b. With the help of the given production schedule, state and explain the law of variable proportions with suitable diagram. Give reasons for the operation of the law. (5 Marks)

Units of Labor	1	2	3	4	5	6	7	8
Total Product of Wheat (kgs)	8	20	36	48	55	60	60	56



22. Define monopoly and explain price and output determination under monopoly in the short-run.

23. Answer the following:

- Explain the properties of the indifference curve with suitable diagrams. **(5 Marks)**
- Diagrammatically explain the Law of Diminishing Marginal Utility. **(5 Marks)**

24. Define and calculate the Total cost, Average Cost, Average Fixed cost, Average Variable cost and Marginal Cost from the following table -

Quantity	TFC	TVC	TC	AC	AVC	AFC	MC
0	100	0					
1	100	39					
2	100	60					
3	100	69					
4	100	72					
5	100	75					
6	100	84					

25. Answer the following:

- "Is the rate of interest determined by the demand and supply of capital?" Illustrate diagrammatically. **(5 Marks)**
- One of the key drivers of profits is innovation according to Schumpeter. Elaborate. **(5 Marks)**

