Semester: **I**

Course Name: **BA (Prog.) (CBCS)**

Paper Name: Principles of Micro Economics- 1

ASSIGNMENT

1. What is a production possibility curve? Explain how this curve point up the attainable and non attainable combination of output, efficient uses of resources and growth in production capacity

2. "In a perfect competitive market structure, a firm suffer losses or make profits only in short-run equilibrium but not in long -run equilibrium" Describe this statement.

3. Explain price consumption curve and derivation of demand curve in case of giffen goods.

Class Test

4. Explain the law of variable propitiations using suitable diagram for the relation between total product, marginal product and average product.

5. What are the determinants of market demand curve? How does the change in these determinants make the movement along the demand and shift in the demand curve?

6. "In a perfect competitive market structure, a firm suffer losses or make profits only in short-run equilibrium but not in long -run equilibrium" Describe this statement.

MCQs

1. Under which of the following forms of market structure does a firm has no control over the price of its product:
(a) Monopoly

(b) Oligopoly
(c) Monopolistic competition
(d) Perfect competition

2. Given the relation $MR = P(1 - \frac{1}{e})$ if e > 1, then :
(a) MR > 0
(b) MR < 0
(c) MR = 0
(d) None

3. Profits of the firm will be more at:
(a) MR = MC
(b) Additional revenue from extra unit equals its additional cost
(c) Both of above
(d) None

4. What should firm do when Marginal revenue is greater than marginal cost?
(a) Firm should expand output
(b) Effect should be made to make them equal
(c) Prices should be covered down
(d) All of these

5. Under monopoly price discrimination depends upon:
(a) Elasticity of demand for commodity
(b) Elasticity of supply for commodity
(c) Size of market
(d) All of above

6. Firms in a monopolistic market are price _____:
(a) Takers
(b) Givers
(c) Makers
(d) Acceptors

7. Market which has two firms is known as:
(a) Oligopoly
(b) Duopoly
(c) Monopsony
(d) Oligopoly

8. Monopolist can determine:
(a) Price
(b) Output
(c) Either price or output
(d) None

9. MR of nth unit is given by:
(a) TR_n/TR_{n-1}
(b) $TR_n + TR_{n-1}$
(c) $TR_n - TR_{n-1}$

10. Which of the following is not an essential condition of pure competition?
(a) Large number of buyers and sellers
(b) Homogeneous product
(c) Freedom of entry
(d) Absence of transport cost
(d) All of these

11. _____ shows the overall output generated at a given level of input:
(a) Cost function
(b) Production function
(c) Iso cost
(d) Marginal rate of technical substitution

12. If LAC curve falls as output expands, this is due to _____:
(a) Law of diminishing retains
(b) Economics of scale
(c) Law of variable proportion

(d) Diseconomics of scale
13. Isoquants are equal to:
(a) Product Lines
(b) Total utility lines
(c) Cost lines
(d) Revenue lines
14. The marginal product curve is above the average product curve when the average product is :
(a) Increasing
(b) Decreasing
(c) Constant
(d) None
15. Increasing returns to scale can be explained in terms of:
(a) External and internal economies
(b) External and internal diseconomies
(c) External economics and internal diseconomies
(d) All of these
16. An isoquant is _____ to an iso cost line at equilibrium point:
(a) Convex
(b) Concave
(c) Tangent
(d) Perpendicular
17. At the point of inflexion, the marginal product is:
(a) Increasing
(b) Decreasing
(c) Maximum
(d) Negative
18. Diminishing marginal returns implies:
(a) Decreasing average variable costs
(b) Decreasing marginal costs
(c) Increasing marginal costs
(d) Decreasing average fixed costs
19. If the marginal product of labour is below the average product of labour. It must be true that:
(a) Marginal product of labour is negative
(b) Marginal product of labour is zero
(c) Average product of labour is falling
(d) Average product of labour is negative
20. Law of variable proportion is valid when:
(a) Only one input is fixed and all other inputs are kept variable
(b) All factors are kept constant
(c) All inputs are varied in the same proportion
(d) None of these

21. A competitive firm in the sort run incure losses. The firm continues production, if:
(a) P > AVC
(b) P = AVC
(c) P < AVC
(d) P > AVC
22. Under _____ market condition, firms make normal profits in the long run:
(a) Perfect competition
(b) Monopoly
(c) Oligopoly
(d) None
23. A monopolist is able to maximize his profits when:
(a) His output is maximum
(b) He charges a high price
(c) His average cost is minimum
(d) His marginal cost is equal to marginal revenue

24. Under Monopolistic competition the cross elasticity of demand for the product of a single firm would be:
(a) Infinite
(b) Highly elastic
(c) Highly inelastic
(d) Zero
25. When AR = ` 10 and AC = ` 8 the firm makes _____ :
(a) Normal profit
(b) Net profit
(c) Gross profit
(d) Supernormal profit
26. What are the conditions for the long run equilibrium of the competitive firm?
(a) LMC = LAC = P
(b) SMC = SAC = LMC
(c) P = MR
(d) All of these
27. Kinked demand curve hypothesis is given by:
(a) Alfred marshal
(b) A.C Pigou
(c) Sweezy
(d) Hicks & allen
28. Supernormal profits occur, when:
(a) Total revenue is equal to total cost
(b) Total revenue is equal to variable cost
(c) Average revenue is more than average cost
(d) Average revenue is equal to average cost
29. If under perfect competition, the price line lies below the average cost curve, the firm would:
(a) Make only Normal profits
(b) Incur losses
(c) Make abnormal profit
(d) Profit cannot be determined
30. The MR curve cuts the horizontal line between Y axis and demand curve into:
(a) Two unequal parts
(b) Two equal parts
(c) May be equal or unequal parts
(d) None of these

1. (d) Perfect competition
2. (a) MR > 0
3. (c) Both of above
4. (a) Firm should expand output
5. (a) Elasticity of demand for commodity
6. (c) Makers
7. (b) Duopoly
8. (c) Either price or output
9 (c) $TR_n - TR_{n-1}$
10. (d) Absence of transport cos
11. (b) Production function
12. (b) Economics of scale
13. (a) Product Lines
14. (a) Increasing
15. (a) External and internal economies
16. (c) Tangent
17. (c) Maximum
18. (c) Increasing marginal costs
19. (c) Average product of labour is falling
20 (a) only one input is fixed and all other inputs are kept variable
22. (d) P > AVC
23. (a) Perfect competition

24. (d) His marginal cost is equal to marginal revenue
26. (d) Zero
27. (d) Supernormal profit
28. (a) LMC = LAC = P
29. (c) Sweezy
30(c) Average revenue is more than average cost