

SET A

Open Book Examination 2021

Unique Paper Code: 12481101
Name of the paper: Microeconomics and Application I (C1)
Name of The Course: B.A. (H).Business Economics
Semester: I
Duration: 3 Hours
Maximum Marks:75

Instructions for Candidates

1. All Questions Carry equal Marks
2. Attempt any four questions

1. Explain the principle of gains from specialisation with the help of examples. Also elaborate the concept of “consumer surplus” in words and illustrate by a diagram. If demand is unit elastic, how will a decline in price affect total revenue? Explain.
2. Show graphically Slutsky and Hicks decomposition when price of good on x axis decreases for normal goods. Label your graphs properly and label income effect, substitution effect and income effect in your graph.
3. Use suitable diagram/table to substantiate your answer to explain: Corner solution, Income consumption curve & Engel Curve, WARP & SARP, Derivation of demand curve using ordinal approach, Bliss Point and Bad Goods.
4. Describe increasing, constant and decreasing returns to scale with the help of isoquants. Also use appropriate diagrams to explain Leontief production function and constant MRTS.

5. 'In the long run a firm produces at least cost combination of inputs but in the short run cost of production may not be minimized because of inflexibility'. Explain the statement with the help of appropriate diagram. Also distinguish between economies of scale and economies of scope. Why can one be present without the other?

6. Analyse the long run supply in increasing and constant cost industries. How would a single firm respond to an output tax under perfectly competitive market conditions? Also explain in what sense monopolistic competition leads to excess capacity? Is excess capacity always desirable?