Name: **Enrolment No:**	

UPES

End Semester Examination, December 2024

Course: Microeconomics | **Semester: I**
Program: BBA/B.Com All | **Time: 03 hrs.**
Course Code: ECON1013 | **Max. Marks: 100**

Instructions:

- **This is a CLOSE BOOK exam.**
- **All questions are mandatory.**
- **Use of unfair means will result in immediate disciplinary action.**

SECTION A

10Qx2M=20Marks

S. No.		**Marks**	**CO**
Q 1	Choose the correct option for each of the questions that follows:		**CO1**
(i)	If the price elasticity of demand (PED) is less than 1, demand is considered A) Unitary elastic B) Perfectly elastic C) Elastic D) Inelastic	**2**	
(ii)	The concept of "consumer surplus" refers to A) The total satisfaction a consumer receives from a good B) The difference between what a consumer is willing to pay and what they actually pay C) The total cost of purchasing a good D) The profit a seller makes from selling a good	**2**	
(iii)	Which of the following is a characteristic of a natural monopoly? A) High barriers to entry B) Many firms producing the same good C) Firms produce differentiated products D) The industry has perfect competition	**2**	
(iv)	When Marginal Product (MP) is greater than Average Product (AP), what happens to AP? A) AP increases B) AP decreases C) AP remains constant D) AP becomes equal to MP	**2**	
(v)	Which of the following is an example of a normative economics statement? A) A rise in income tax rates will reduce consumer spending. B) Unemployment is currently at 5% in the country. C) The government should increase the minimum wage to reduce inequality. D) Lower interest rates increase investment in the economy.	**2**	

(vi)	What does the slope of an isoquant represent? A) The marginal cost of production B) The marginal rate of technical substitution between two inputs C) The rate of change in output D) The total cost of production	**2**	
(vii)	If a point lies inside the Production Possibility Curve (PPC), it indicates A) Efficient use of resources B) Unattainable production with given resources C) Inefficient use of resources D) The economy is operating at full efficiency	**2**	
(viii)	In a monopoly, the demand curve faced by the monopolist is A) Perfectly elastic B) Downward sloping C) Vertical D) Horizontal	**2**	
(ix)	The income elasticity of demand for a normal good is A) Zero B) Negative C) Positive D) Infinite	**2**	
(x)	Which of the following is true in a perfectly competitive market with free entry and exit? A) Firms can enter and exit the market only with government approval. B) In the long run, firms will earn only normal profits. C) Barriers to entry prevent new firms from entering the market. D) Firms can earn long-run economic profits due to differentiated products.	**2**	
SECTION B **4Qx5M= 20 Marks**			
Q 2	What is the difference between Fixed cost and Variable cost?	**5**	**CO2**
Q 3	What is the relationship between a firm's total revenue, total cost, and profit?	**5**	**CO2**
Q 4	Explain why two indifference curves cannot intersect?	**5**	**CO2**
Q 5	What is a perfect competition market?	**5**	**CO2**
SECTION-C **3Qx10M=30 Marks**			
Q 6	Explain the concept of a shift in the supply curve. Discuss the factors that can cause the supply curve to shift and illustrate how each factor affects the quantity supplied at different price levels. Use diagrams to support your explanation.	**10**	**CO3**
Q 7	Explain the different degrees of price elasticity of demand (PED). Discuss the factors that influence the price elasticity of demand for a good and illustrate how businesses can use the concept of PED in pricing decisions, using relevant examples.	**10**	**CO3**
Q 8	Explain the concept of short-run costs in production. Discuss the different types of short-run costs, their relationship with output levels, and the	**10**	**CO3**

<table>
<tr><td></td><td>significance of the law of diminishing returns in determining short-run cost behavior. Illustrate your answer with relevant diagrams.</td><td></td><td></td></tr>
<tr><td colspan="4" align="center">SECTION-D
2Qx15M= 30 Marks</td></tr>
<tr><td>Q 9</td><td>Suppose that your demand schedule for pizza is as follows:
<table>
<tr><th>Price</th><th>Quantity Demanded (income = $20,000)</th><th>Quantity Demanded (income = $24,000)</th></tr>
<tr><td>$8</td><td>40 pizzas</td><td>50 pizzas</td></tr>
<tr><td>10</td><td>32</td><td>45</td></tr>
<tr><td>12</td><td>24</td><td>30</td></tr>
<tr><td>14</td><td>16</td><td>20</td></tr>
<tr><td>16</td><td>8</td><td>12</td></tr>
</table>
a. Use the midpoint method to calculate your price elasticity of demand as the price of pizza increases from $8 to $10 if (i) your income is $20,000 and (ii) your income is $24,000.
b. Calculate your income elasticity of demand as your income increases from $20,000 to $24,000 if (i) the price is $12 and (ii) the price is $16.
OR
Examine the law of returns to scale with the support of graph.</td><td>15</td><td>CO4</td></tr>
<tr><td>Q 10</td><td>The agricultural market for wheat in Country X is a near-perfectly competitive market, where many farmers produce wheat using similar farming techniques and selling it at the prevailing market price. The government has recently lifted certain subsidies that were previously provided to wheat producers, and as a result, some farmers have exited the market while others have remained. Additionally, technological advancements in farming equipment have reduced production costs for the remaining farmers.Based on this scenario, answer the following:
1. Explain the key features of a perfectly competitive market that apply to the wheat market in Country X.
2. Discuss how the concept of profit maximization applies to the wheat farmers in this market, and how the changes in subsidies and technology may impact their decisions to stay or exit the market.
3. Illustrate the short-run and long-run effects on the price, output, and profits of the remaining wheat farmers, given the changes in production costs and the exit of some farmers. Use diagrams where appropriate to support your answer.</td><td>15</td><td>CO4</td></tr>
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