

Name:	 UPES UNIVERSITY WITH A PURPOSE
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End-Term Examination, December 2019

Course: Economics-I

Program: BA PPA

Course code: BAPP 1003

Instructions: All Questions are compulsory

Semester: I

Time: 3 Hours

Max. Marks: 100

SECTION A

		Marks	CO
Q 1	The marginal revenue (MR) curve of a perfectly competitive firm A. is horizontal at the market price B. lies below the firm's demand curve C. increases at increasing rate as output expands D. is downward sloping as price must be reduced to sell more output	2	CO2
Q 2	Which of the following statements is positive analysis? A. Public demand for an increase in minimum wage rates. B. Income tax should be increased to reduce the inflation problem. C. An increase in tobacco prices will reduce the demand for tobacco. D. Sales tax on sports items should be reduced.	2	CO1 CO2
Q 3	Relationship between Revenue and Price elasticity of Demand A. $MR = AR (1-1/ep)$ B. $MR = AR (1+1/ep)$ C. $MR = AR (1/ep)$ D. $MR = AR (1/-ep)$	2	CO3
Q 4	Under the perfect competition a firm will be in Equilibrium when : A. $MC = MR$ B. MC cuts the MR from below C. MC is rising when it cuts the MR D. All of the above	2	CO2 CO1
Q 5	A firm encounters its "shutdown point" when: A. average total cost equals price at the profit-maximizing level of output B. average variable cost equals price at the profit-maximizing level of output C. average fixed cost equals price at the profit-maximizing level of output D. marginal cost equals price at the profit-maximizing level of output	2	CO3

SECTION B

Q 1	When the price per carton of Coco Cola from Rs. 16 to Rs. 14, the quantity demanded increases from 200 to 300 Carton per month. On the other hand, the demand for Pepsi falls from 250 to 200 cartons per month.	10	CO1
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	<p>(a) Calculate the price elasticity of demand using Arc Method formula. (5 Marks)</p> <p>(b) Calculate the cross elasticity of demand between Coco Cola and Pepsi. Based on the answer, explain the relationship between the two. (5 Marks)</p>		
Q 2	Draw a diagram to shows how the market price is determined by the interaction of demand and supply	5	CO1 CO2
Q 3	Distinguish Between Point Price elasticity and Arc elasticity of Demand.	5	CO3
SECTION-C			
Q 1	Explain the equilibrium of a consumer with the help of the cardinal utility approach.	10	CO3 CO2
Q 2	What is movement of demand & Shifting in supply? Briefly explain Extension & Contraction of Demand and increasing and Decreasing in supply. Illustrate your answer by diagram.	10	CO1 CO2
Q 3	What is Price elasticity of Demand and promotional elasticity of demand? Explain different degrees of price elasticity of demand. Illustrate your answer with the help of Diagram.	10	CO4 CO3
Q 4	Compare the firm equilibrium of a perfectly competitive market and monopoly market by using appropriate diagrams.	10	CO3 CO2
SECTION-D			
Q 1	What is mean by production function? Distinguish between short run production function & Long run production function. Explain law of return to variable factor & law of returns to scale. Illustrate your answer graphically.	15	CO4 CO3 CO1
Q 2.	Define Price discrimination .Suppose a monopoly firm faces two markets with different demand curves for its product. Explain & illustrate how a discriminatory monopoly firm would determine its profit maximizing output, divide its total output between the two markets & determine price for the two markets	15	CO4 CO3 CO1