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**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**  
End Semester Examination, May 2018

**Program: BALLB -EL B1 & B2**  
**Subject (Course): Business Economics- Micro**  
**Course Code : CLNL1014**  
**No. of page/s:**

**Semester – II**  
**Max. Marks 100**  
**Duration : 3 Hrs**

**Section A**

**[5\*2=10]**

**Note: All the questions are compulsory in this section.**

- 1- The demand curve facing a monopolist is a
  - A. Horizontal straight line
  - B. Vertical straight line
  - C. Downward sloping curve
  - D. 'U' shaped curve
- 2- Price discrimination in a market is possible only if
  - A. There is a monopoly
  - B. Elasticity of demand in the two market is different
  - C. Goods are not transferable in the two market
  - D. All the above
- 3- When total product (TP) increases at a diminishing rate , then
  - A. Marginal product is increasing
  - B. Marginal product is constant
  - C. Average product is increasing
  - D. Marginal product is decreasing
  - E.

Use the following data to answer question 4-5

Output (Q) Unit	0	1	2	3	4	5	6
Total Cost (TC) Rs.	240	330	410	480	540	610	690

- 4- The average fixed cost of 2 units of output is:
  - A. 80 Rs.
  - B. 85 Rs.
  - C. 120 Rs.
  - D. 205 Rs.
- 5- Marginal cost of the 6<sup>th</sup> Units of output is
  - A. 133 Rs.
  - B. 75 Rs.
  - C. 80 Rs.
  - D. 450 Rs.

**Section B**

**[5\*4=20]**

- 1- What is the Marginal rate of Technical Substitution of labor for capital ( $MRTS_{LK}$ )?
- 2- What is the Marginal rate of Substitution of labor for capital ( $MRS_{xy}$ )?
- 3- Explain Firm equilibrium under monopoly market and Perfect competitive Market.
- 4- What is the condition for consumer equilibrium according to IC approach?
- 5- Explain n the decision making process of a company with diagram.

**Section C**

**[3\*10=30]**

1. Suppose Total cost (TC) and Total Revenue (TR) functions are given

$$TC = 100 + 5X^2$$

$$TR = 150X - 2.5X^2$$

Find (a) Profit Maximization output, (b) Maximum amount of profit

2. What do you mean by producer equilibrium? Explain producer's equilibrium with the help of Iso-quant curve and Iso-cost line.
3. Distinguish between the following concept
  1. Explicit cost and Implicit cost.
  2. Private cost and social cost.
  3. Promotional elasticity of demand and cost elasticity of demand.
  4. Indifference curve and Budget line

**Section D**

**[2\*20=40]**

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.
2. Define Price discrimination .Suppose a monopoly firm faces two markets (Market A & Market B) with different demand curves for its product. Explain & illustrate a discriminatory monopoly firm would determine its profit maximizing output, divide its total output between the two markets & determine price for the two markets.