

POKHARA UNIVERSITY

Level: Bachelor

Semester: Fall

Programme: BBA/BHCM/TT

Course: Introductory Microeconomics

Year: 2021

Full Marks: 100

Pass Marks: 45

Time: 3 hrs.

Candidates are required to answer in their own words as far as practicable. Figures in the margin indicate full marks.

Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. Why micro-economics is called price theory?
2. How can you define cross elasticity of demand?
3. Why indifference curve is convex to the origin?
4. When the quantity demand is increased from 1000 units to 1500 units due to change in price of commodity from Rs. 12 to Rs. 9. Find the price elasticity of demand.
5. Let the production function $Q = 150 K^{0.7} L^{0.4}$. Compute factor intensity and returns to scale.
6. Why LAC curve is also called planning curve?
7. Why average and marginal revenue curve are downward sloping in imperfect market?
8. Give the definition of Bilateral Monopoly?
9. State the law of variable proportion.
10. What do you mean by wage differential?

Section "B"

Descriptive Answer Questions

Attempt any six questions. [6×10]

11. "Scarcity and Choice" is the root of all economic problem. Explain.
12. With the help of indifference curve, show how price effect is broken up into substitution effect and income effect for normal goods.
13. Define the concept of iso-quant curve. Explain the least cost combination of input.
14. The short run total cost is $TC = 500 + 10Q - 0.08Q^2 + 0.002Q^3$. If $Q = 100$ Find:
 - a. Total fixed cost
 - b. Average fixed cost
 - c. Average variable cost
 - d. Marginal cost.
15. The demand curve of a firm's product is given by an equation $Q = 28 - 0.5P$ while the cost function is $TC = 50 + 2Q + 0.25Q^2$. Find the profit maximizing output and total profit.
16. What are the major features of monopoly market? Explain third degree price discrimination under monopoly.

17. Derive the demand curve of a firm for single variable input (Labor) under perfect competition.

Section "C"

Case Analysis

18. Read the case situation given below and answer the questions that follow:
[20]

Microeconomics is the branch of economics which studies the structure, functioning and problems of the definite companies and small firms but also touches upon the general questions of economics and studies them on the definite examples. Microeconomics touches upon such key problems as: the problems of consumers; the problem of producers; economical effectiveness, the problem of supply and demand, etc. Question about consumers is very important, because a smart businessman should know that the key function on the market play consumers, who decide what goods and services they require. One should think about the popular goods which are bought the most frequently and try to focus the development of their business on the production of the required goods, otherwise the firm will never be a successful one.

Then, one will need to advertise these goods to inform the customers about his existence. The structure of the market is the balance of the market is also an important topic discussed by the experts in microeconomics. Without the knowledge about the rules and standards of the functioning of the market it is impossible to improve the business and wait high profits. The question of prices is considered to be the most important and controversial one in the discipline. Businessman should have knowledge about the degree of competition in the market for setting the price of the products. Likewise, knowledge of elasticity of demand is essential for setting the price of the product. Only professionals can explain what factors cause the raise and reduction of prices on the market and what the effect of these changes is.

Questions:

- a) Why economic problems arise in our life?
- b) How price elasticity of demand is useful for setting the price of the product?
- c) How can we increase consumer's demand?
- d) Why all firms are not fixing same price in monopolistic competition market?