QUESTION 2012

Group – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any ten of the following

i) The income elasticity of demand for the normal goods is always

✓a) Positive b) Negative c) Zero d) None of these

ii) q being total output, the AP of input x_1 is

a) dq/dx_1 ✓b) q/x_1 c) $q - x_1$ d) none of these

iii) The $MRTS_{L,K}$ is defined as

✓a) ratio of the two MPs of L and K b) ratio of the two APs of L and K
c) ratio of the two TPs of L and K d) None of these

iv) For an elastic demand curve price elasticity of demand is

✓a) greater than unity b) less than unity c) equal to unity d) None of these

v) If the inputs of a firm are increased by 5%, output increases by 10%, the production function of the firm exhibits

a) CRS b) DRS ✓c) IRS d) None of these

vi) When the price of substiture goods raises the demand for the other substitute also

✓a) Rises b) Falls c) Remain same d) None of these

vii) If there are two buyers in the market, the market is called

a) Duopoly ✓b) Duopsony c) Oligopoly d) None of these

viii) When total product is maximum, Marginal product is:

a) Negative b) Positive ✓c) Zero d) Cannot be confirmed

ix) In which market form there is no distinction between firm and an industry

✓a) Monopoly b) Monopolistic competition
c) Perfect competition d) Oligopoly

x) Slope of the isoquant is known as

✓a) MRTS b) MPS c) VMPL d) MPL

xi) Long run cost curves are known as planning curves because

✓a) They are tangent to the minimum points of the short run cost curves showing least cost of production
b) They cover the short run cost curves
c) They show low costs of raw materials
d) All of these

xii) Which of the following is the formula of price elasticity of demand?

a) $\Delta P/\Delta Q . Q/P$ b) $Q/P . \Delta P/Q$
c) $\Delta P/\Delta Q . P/Q$ ✓d) $\Delta Q/\Delta P . P/Q$

Group – B

(Short Answer Type Questions)

2. Explain why an Iso-Quant is downward sloping and convex to the origin?
See Topic: PRODUCTION, Short Answer Type Question No. 1(or).

3. Discuss the modem theory of Long Run costs.
See Topic: COST, Short Answer Type Question No. 6.

4. Define monopolistic competition. Why is monopolistic competition so called?
See Topic: MARKET, Short Answer Type Question No. 9.

5. What is ridge lines? State the Economic Region of production.
See Topic: PRODUCTION, Short Answer Type Question No. 4.

6. Why is short-run average cost curve U-shaped?
See Topic: COST, Short Answer Type Question No. 2(or).

Group – C

(Long Answer Type Questions)

7. Prepare cost schedule indicating AFC, AVC, AC, MC from the following information.

OUTPUT	0	1	2	3	4	5	6	7	8
TOTAL COST (Rs)	100	120	130	135	200	300	500	1000	2000

See Topic: COST, Long Answer Type Question No. 2.

8. a) Distinguish between Ricardian theory & modern theory.
b) Explain liquidity preference theory.
a) See Topic: RENT, Short Answer Type Question No. 3.
b) See Topic: INTEREST, Short Answer Type Question No. 1.

9. a) Explain marginal productivity theory wage.
b) What are the nature of gross profit?
a) See Topic: MARGINAL PRODUCTIVITY THEORY, Long Answer Type Question No. 1(a).
b) See Topic: MARGINAL PRODUCTIVITY THEORY, Long Answer Type Question No. 1(b).

10. The demand function for a particular firm' novels (Q_x) is given by the following equation:

$$Q_x = 12000 - 5000P_x + 5I + 500P_c$$

Px = price charged for the novels

I = income per capita

Pc = price of books from other competing publishers

Assume also, P_x = Rs. 5; I=Rs. 10000; P_c = Rs. 6

Find out the followings

i) Determine what effect of a price increase would have on total revenues?

ii) Evaluate how sale of the novels would change during a period of rising income?

iii) Assess the probable impact if competing publishers raise their prices.

See Topic: DEMAND, Long Answer Type Question No. 4.

11. In the context of an oligopolistic market, explain the concept of Kinked demand curve. Comment on the determination of equilibrium in this model.
See Topic: MARKET, Long Answer Type Question No. 10.