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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: B.A. LL.B. (Hons.) Criminal/Labour Law 2017-22

Subject (Course): Business Economics I (Micro)

Course Code : CLNL 1014

No. of page/s: 03

Semester – II

Max. Marks : 100

Duration : 3 Hrs

SECTION A – Short Answer Questions (10 MARKS)

Attempt all questions. Each question carries equal marks.

1. Classify the following into fixed and variable costs:
 - (a) Rent for a shed
 - (b) Interest on capital
 - (c) Daily wages
 - (d) Salary to permanent staff (02 Marks)
2. As the price of peanut packets increases by 5%, the demand for peanut packets falls by 8%. What is elasticity of demand for peanut packets? (02 Marks)
3. Define the following terms:
 - a) Economies of scale
 - b) Opportunity cost (02 Marks)
4. What is total cost in the short run? Can there be fixed cost in the long run? (02 Marks)
5. Name two factors that can cause a rightward shift in supply curve of ice cream. (02 Marks)

SECTION B – Answer in not more than 100 words (20 MARKS)

Attempt any four questions. Each question carries equal marks.

6. Distinguish between returns to a variable factor and returns to scale. (05 Marks)
7. What factors cause a shift in demand curve? (Any 5) (05 Marks)
8. What do you understand by producer's equilibrium? Discuss the role of marginal cost and marginal revenue in this context. (05 Marks)
9. (a) Why does the difference between ATC and AVC decrease with increase in level of output. Explain with the help of graph.
(b) From the following data on the cost schedule of a firm, calculate AFC and AVC of producing three units when **TFC is 51**. (05 Marks)

Units of Output	0	3
Total Cost (Rs.)	51	96

10. Distinguish between pure competition and perfect competition. (05 Marks)

SECTION C – Answer in not more than 150 words (20 Marks)

Attempt any two questions. Each question carries equal marks.

11. (a) Complete the following table: (10 Marks)

Units of Labour	Total Product	Marginal Product
0	0	
1		10
2	22	
3		14
4	50	14
5		12

(b) From the following table on the cost schedule of a firm, calculate (i) AVC, and (ii) MC

Output (number of units)	Total Cost (Rs.)	Total Fixed Cost (Rs.)
0	40	40
1	100	40
2	120	40
3	130	40
4	150	40
5	190	40

12. The following is the total cost schedule of a competitive firm. It is given that the price of a good is Rs. 10. Calculate the profit at each output level. Find profit maximizing level of output. (10 Marks)

Output	0	1	2	3	4	5	6	7	8
TC (Rs.)	5	15	22	27	31	38	49	63	81

13. Explain features of a monopoly form of market structure. What are the reasons for emergence of monopoly? (10 Marks)

SECTION D – Answer in not more than 250 words (50 Marks)

All questions are compulsory.

14. (a) Distinguish between different forms of market structure – perfect competition, monopoly, monopolistic and oligopolistic.
- (b) How market demand curve is a constraint facing a monopoly firm? What is the motivation behind granting patent rights?
- (c) Describe the relationship between total physical product, average physical product and marginal physical product (using appropriate schedule and graphs).

[(12 + 6 + 12) Marks]

15. (a) Suppose the supply and demand functions of a product in a perfectly competitive market are given by:

$$Q_d = 700 - P$$

$$Q_s = 500 + 3P$$

Find the equilibrium price and equilibrium quantity.

- (b) Distinguish between ‘law of diminishing marginal product’ and ‘law of diminishing returns’.
- (c) How is the theory of economic analysis relevant to criminal/labor law practices.
- (d) What is meant by normal profit? How will the number of firms in the industry change, if the firms are making: (i) abnormal losses, (ii) abnormal profits?

[(5 + 5 + 5 + 5) Marks]



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SECTION A – Short Answer Questions (10 MARKS)

Attempt all questions. Each question carries equal marks.

1. Define the following terms:
 - c) Opportunity cost
 - d) Diseconomies of scale (02 Marks)
2. Name two factors that can cause a leftward shift in supply curve of ice cream. (02 Marks)
3. Classify the following into fixed and variable costs: (02 Marks)
 - (e) Minimum telephone bill
 - (f) Salary to permanent staff
 - (g) Interest on capital
 - (h) Daily wages
4. The price elasticity of demand is 2. The % change in price is equal to 5. Find % change in quantity demanded. (02 Marks)
5. What is total cost in the short run? Can there be fixed cost in the long run? (02 Marks)

SECTION B – Answer in not more than 100 words (20 MARKS)

Attempt any four questions. Each question carries equal marks.

6. What is meant by producer's equilibrium? Discuss the role of total cost and total revenue in this context. (05 Marks)
7. What is the difference between pure competition and perfect competition? (05 Marks)
8. a) Why does the difference between ATC and AVC decrease with increase in level of output. Explain with the help of graph.
e) Complete the following table: (05 Marks)

Units of Output	0	1	2
Total Cost (Rs.)	12	18	21

Total Variable Cost			
Marginal Cost			

9. Explain the difference between 'returns to a variable factor' and 'returns to scale'.
(05 Marks)
10. Explain any five factors that can cause a rightward shift in demand curve for a normal good.
(05 Marks)

SECTION C – Answer in not more than 150 words (20 Marks)

Attempt any two questions. Each question carries equal marks.

11. What are the salient features of a monopoly form of market structure? Quote a few reasons for emergence of a monopoly?
(10 Marks)
12. a) From the following table on the cost schedule of a firm, calculate (i) AVC, and (ii) MC

Output (number of units)	Total Cost (Rs.)	Total Fixed Cost (Rs.)
0	60	60
1	78	60
2	90	60
3	102	60
4	112	60
5	120	60
6	126	60

b) Complete the following table:

Units of Labour	Total Product	Marginal Product
0	0	
1	10	
2		12
3		14
4	50	
5	62	

13. The following is the total cost schedule of a competitive firm. It is given that the price of a good is Rs. 5. Calculate the profit at each output level. Find the profit maximizing level of output.
(10 Marks)

Output	0	1	2	3	4	5	6	7
TC (Rs.)	5	7	10	12	15	23	33	43

SECTION D – Answer in not more than 250 words (50 Marks)

All questions are necessary.

14. a) Explain the following concepts:

- (i) Law of diminishing marginal product
- (ii) Law of diminishing returns

b) Define normal profit. How will the number of firms in the industry change, if the firms are making: (i) abnormal losses, (ii) abnormal profits?

c) How is the theory of economic analysis relevant to criminal/labor law practice?

d) Suppose the supply and demand functions of a product in a perfectly competitive market are given by:

$$Q_d = 1000 - P$$

$$Q_s = 700 + 2P$$

Find the equilibrium price and equilibrium quantity.

[(5 + 5 + 5 + 5) Marks]

15. a) What are the features of perfect competition? Explain main differences between two extreme forms of market – perfect competition and monopoly.

b) What is the motivation behind granting patent rights? How market demand curve is a constraint facing a monopoly firm?

c) Explain relationship between total physical product, average physical product and marginal physical product with the help of appropriate graph and schedule.

[(12 + 6 + 12) Marks]