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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: B.Com LLB Taxation Law 2017-2022 Batch   Semester – II
Subject (Course): Business Economics 1   Max. Marks   : 100
Course Code   :CLNL 1014   Duration   : 3 Hrs
No. of page/s: 2

Section A

1. State whether the statement is true or false   (10 Marks = 1 marks each)
    a. Consumer's surplus can be defined as the difference between what a consumer is willing to pay for a commodity and what he actually does pay for it.
    b. The law of returns to scale operates in the long period and it explains the production behavior of the firm with all variable factors.
    c. A seller never operates if price is less than average variable cost because those costs can be avoided by ceasing operations.
    d. Market structure refers to the physical characteristics of the market within which firms interact.
    e. Monopolistic competition is a market structure in which there is an only one firm selling products.
    f. Oligopoly is a market structure in which there are a few interdependent firms. There are often significant barriers to entry.
    g. No long-run economic profit is possible in monopolistic competition because there are no significant barriers to entry.
    h. Perfectly competitive firms have no incentive to advertise, but monopolistic competitors do.
    i. A brand name is valuable to a firm; it makes the demand less elastic and can enable the firm to earn higher profits
    j. In perfect competition, there is ease of entry of new firms in the long run because there are no significant barriers to entry.

Section B

2. Define the following terms   (4 marks = 2 marks each part)
    a. Oligopoly
    b. Capitalism
    c. Monopolistic Competition
    d. MRTP Act (Mention only the full form and the purpose of this act)

3. Describe the cases of Monopolistic competition in which they incur profit or losses. (4 Marks)
4. How does nature of the product (i.e. homogeneous or heterogeneous product) lead to differentiate market structure form perfect competition to monopolistic competition and both of them to monopoly?   (4 Marks)
5. How does free entry and exit in market structure differentiate market structure form perfect competition to monopolistic competition and both of them to monopoly? (4 Marks)

Section C

6. What is the difference between perfect competition and monopolistic competition? How do both attain the equilibrium differently? Show by diagram.   (5 Marks)
7. Derive the marshallian demand curve through indifference curve analysis graphically. (5 Marks)
8. Differentiate the characteristics of Capitalism and Socialism.   (5 Marks)
9. Derive the seller's short run supply curve in perfect competition.   (5 Marks)

Section D

10. Describe your group topic of presentation with special emphasis on abstract and your part in the presentation. Give some policy implication according to your judgment.   (10 Marks)
11. Consider there are two firm competing each other with the decision (strategy) to advertise or don't advertise and forming the game given below with payoff in the brackets. (In the bracket, first payoff is of Firm A and second payoff is of Firm B).

Firm B

		Advertise	Don't Advertise
Firm A	Advertise	(10,5)	(15,0)
	Don't Advertise	(6,8)	(10,2)

1) Find out the dominant strategy of each firm.   (5 Marks)
2) Find out any Nash Equilibrium in this game if it exists.   (5 Marks)

12. Consider the case of prisoner dilemma

Gaba

		Confess	Don't Confess
Jagga	Confess	(-5,-5)	(-1,-10)
	Don't Confess	(-10,-1)	(-2,-2)

(**Summary of the game:** There are two prisoners Jagga and Gaba, arrested on the suspect of committing crime. Both were kept in separate cell. They were given option that if both confess, then both will get the 5 years of imprisonment. If one confess and other don't, one who confess will get only one year of imprisonment and other by not confessing will get 10 years of imprisonment. If both of them are not going for confession, then both will get the imprisonment for 2 years.)

1) Find out the dominant strategy of Jagga and Gaba.   (5 Marks)
2) Find out any Nash Equilibrium in this game if it exists.   (5 Marks)

13. Consider a demand curve given below

Q=100-P

Q is the quantity of the particular goods and **P** is the price of the goods. Equilibrium price is 10. Define consumer surplus and then find out the consumer surplus of the above problem. Draw the diagram required in the problem   (10 Marks)

14. Consider the following production functions given below

1) Q = 8 K$^{0.5}$ L$^{0.9}$
2) Q = 9 K$^{0.5}$ L$^{0.5}$
3) Q = 5 K$^{0.4}$ L$^{0.4}$

Q is the quantity of production. K and L are capital and labour used in the production respectively. Define the return to scale and Identify in the production functions given above, whether there is increasing return to scale, decreasing return to scale or constant return to scale in each part.

(10 Marks)

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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

Mid Semester Examination, March 2018

Program: B.Com LLB Taxation Law 2017-2022 Batch   Semester – 2nd

Subject (Course): Business Economics 1   Max. Marks : 100

Course Code :CLNL 1014   Duration   : 2 Hrs

No. of page/s: 2

Section A

1. State whether the statement is true or false   (10 Marks = 1 marks each)

    a. No long-run economic profit is possible in monopolistic competition because there are no significant barriers to entry.

    b. Perfectly competitive firms have no incentive to advertise, but monopolistic competitors do.

    c. A seller never operates if price is less than average variable cost because those costs can be avoided by ceasing operations.

    d. Market structure refers to the physical characteristics of the market within which firms interact.

    e. Consumer's surplus can be defined as the difference between what a consumer is willing to pay for a commodity and what he actually does pay for it.

    f. The law of returns to scale operates in the long period and it explains the production behavior of the firm with all variable factors.

    g. Monopolistic competition is a market structure in which there is an only one firm selling products.

    h. Oligopoly is a market structure in which there are a few interdependent firms. There are often significant barriers to entry.

    i. A brand name is valuable to a firm; it makes the demand less elastic and can enable the firm to earn higher profits

    j. In perfect competition, there is ease of entry of new firms in the long run because there are no significant barriers to entry.

Section B

2. Define the following terms   (8 marks = 2 marks each part)

    a. Economies of Scale

    b. Shut down point of the firm

    c. Monopoly

    d. MRTP Act (Mention only the full form and the purpose of this act)

3. How does free entry and exit in market structure differentiate market structure form perfect competition to monopolistic competition and both of them to monopoly? (4 Marks)
4. Describe the cases of Monopolistic competition in which they incur profit or losses. (4 Marks)
5. How does nature of the product (i.e. homogeneous or heterogeneous product) lead to differentiate market structure form perfect competition to monopolistic competition and both of them to monopoly?   (4 Marks)

Section C

6. What is the difference between perfect competition and monopolistic competition? How do both attain the equilibrium differently? Show by diagram.   (5 Marks)
7. Derive the marshallian demand curve through indifference curve analysis graphically. (5 Marks)
8. Differentiate the characteristics of Capitalism and Socialism.   (5 Marks)
9. Derive the seller's short run supply curve in perfect competition.   (5 Marks)

Section D

10. Consider the following production functions given below

    1) $Q = 9 K^{0.5} L^{0.5}$

    2) $Q = 5 K^{0.4} L^{0.4}$

    3) $Q = 8 K^{0.5} L^{0.9}$

    Q is the quantity of production. K and L are capital and labour used in the production respectively. Define the return to scale and Identify in the production functions given above, whether there is increasing return to scale, decreasing return to scale or constant return to scale in each part.
                                                  (10 Marks)
11. Describe your group topic of presentation with special emphasis on abstract and your part in the presentation. Give some policy implication according to your judgment.   (10 Marks)
12. Consider there are two firm competing each other with the decision (strategy) to advertise or don't advertise and forming the game given below with payoff in the brackets. (In the bracket, first payoff is of Firm A and second payoff is of Firm B).

Firm B

		Advertise	Don't Advertise
Firm A	Advertise	(10,5)	(15,0)
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3) Find out the dominant strategy of each firm.   (5 Marks)
4) Find out any Nash Equilibrium in this game if it exists.   (5 Marks)

13. Consider the case of prisoner dilemma

Gaba

Jagga		Confess	Don't Confess
	Confess	(-5,-5)	(-1,-10)
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(**Summary of the game:** There are two prisoners Jagga and Gaba, arrested on the suspect of committing crime. Both were kept in separate cell. They were given option that if both confess, then both will get the 5 years of imprisonment. If one confess and other don't, one who confess will get only one year of imprisonment and other by not confessing will get 10 years of imprisonment. If both of them are not going for confession, then both will get the imprisonment for 2 years.)

3) Find out the dominant strategy of Jagga and Gaba.   (5 Marks)
4) Find out any Nash Equilibrium in this game if it exists.   (5 Marks)

14. Consider a demand curve given below

Q=80-2P

Q is the quantity of the particular goods and **P** is the price of the goods. Equilibrium price is 10. Define consumer surplus and then find out the consumer surplus of the above problem. Draw the diagram required in the problem   (10 Marks)