UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, December 2021

Course: Microeconomics	**Semester : I**
Program: BAPPA	**Duration : 03 hrs.**
Course Code: : ECON 1020	**Max. Marks: 100**
Instructions: attempt all questions	

Q.No	**Section A** **(Type the answers in test box)**	**Marks**	**COs**
Q1	Which of the following statements is positive analysis? A. Public demand for an increase in minimum wage rates. B. Income tax should be increased to reduce the inflation problem. C. An increase in tobacco prices will reduce the demand for tobacco. D. Sales tax on sports items should be reduced. A.	2	CO1
Q2	Relationship between Revenue and Price elasticity of Demand A. MR = AR (1-1/ep) B. MR = AR (1+1/ep) C. MR = AR (1/ep) D. MR = AR (1/-ep) A.	2	CO1
Q3	The producer is in equilibrium at a point where the cost line is: A. above the isoquant B. below the isoquant C. cutting the isoquant D. tangent to isoquant	2	CO1
Q4	In the long run : A. Fixed cost is zero B. Total cost equals to variable cost C. Total variable cost is less than total cost D. Both (A) and (B) are correct.	2	CO1
Q5	Opportunity costs include: A. Explicit costs B. Explicit and implicit costs C. Implicit cost D. None of the above	2	CO1
Q6	An indifference curve is …… **A.** A straight line sloping downwards **B.** Parallel to the X-axis **C.** Convex to the origin A. None of the above	2	CO1
Q7	Which of the following short run costs continues to decrease as output increases **A.** Average variable cost **B.** Average fixed cost **C.** Marginal cost **D.** Average cost	2	CO1

Q8	The Iso-quant curve reflects……………… A. All the possible combinations of two inputs that give the same level of output. B. All the possible combinations of two inputs that give different levels of output. C. All the possible combinations of two product, where a producer is indifferent because it gives the same profit. D. None of the above.	2	CO1
Q9	Which of the following is not a long run concept? A. Expansion Path B. Isoquant C. Returns to scale D. Law of variable proportions	2	CO1
Q10	If demand equation is given by D=1000-P, and the supply equation is given by S=100+4P, price would be A. 160 B. 180 C. 170 D. 140	2	CO1
	Section B	**Marks**	
Q1	Explain Marginal rate of Technical Substitution (MRT_{LK}), (where L = Labor and K = Capital) and Marginal Rate of substitution (MRSxy) (where x and y are goods) Illustrate your answer with the help of diagram	5	CO2
Q2	Write a short note on Law of Equi- Marginal Utility approach of consumer equilibrium.	5	CO2
Q3	Write a short note on Floor price and ceiling Price.	5	CO2
Q4	Explain the consumer and producer surpluses with help of Diagram..	5	CO2
	Section C	**Marks**	
Q1	When the price per carton of Coco Cola from Rs. 16 to Rs. 14, the quantity demanded increases from 200 to 300 Carton per month. On the other hand, the demand for Pepsi falls from 250 to 200 cartons per month. **(a)** Calculate the price elasticity of demand using Arc Method formula. **(b)** Calculate the cross elasticity of demand between Coco Cola and Pepsi. Based on the answer, explain the relationship between the two.	10	CO3
Q2	What is movement of demand & Shifting in supply? Briefly explain Extension & Contraction of Demand and increasing and Decreasing in supply. Illustrate your answer by diagram.	10	CO3
Q3	What is Price elasticity of Demand and promotional elasticity of demand? Explain different degrees of price elasticity of demand and methods of its Measurement. Illustrate your answer with the help of Diagram.	10	CO3

	Section D	**Mark**	
Q1	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	15	CO4
Q2	Explain consumer’s equilibrium condition with the help of indifference curve approach. How will a change in consumer’s income effect his equilibrium? Illustrate your answer graphically.	15	CO5