

BBA 1st Semester Exam., 2022

MICROECONOMICS

Time : 3 hours

Full Marks : 60

Instructions :

- (i) The marks are indicated in the right-hand margin.
- (ii) There are **SEVEN** questions in this paper.
- (iii) Attempt **FIVE** questions in all.
- (iv) Question Nos. 1 & 2 are compulsory.

1. Write True or False of any six of the following : 2×6=12

- (a) A consumer who is rational equates the marginal utility of all goods consumed.
- (b) Utility theory assumes that market baskets on higher indifference curves have higher utilities. ✓
- (c) A consumer's demand curve for a commodity generally will shift if the prices of other commodities change. ✓
- (d) If a good is price elastic, a decrease in its price will result in a decrease in the amount of money spent on it. ✓

- (e) Plant and equipment of a firm are fixed in the short run.
- (f) Empirical studies often indicate the short-run average cost curve is S-shaped.
- (g) If a firm's price is fixed, then increase in output will have little effect on the firm's profits.
- (h) In the short run, equilibrium price under perfect competition may be above or below average total cost.
- (i) For a monopolist, marginal revenue is less than price.
- (j) Monopolistic competition is likely to result in more brands than perfect competition. ✓

2. Answer any three of the following : 4×3=12

- (a) What are different determinants of demand?
- (b) Define marginal utility.
- (c) Define fixed cost and variable cost.
- (d) Explain kinked demand curve.
- (e) What is monopolistic competition?

3. Differentiate between price elasticity of demand and income elasticity of demand. Explain different methods for measurement of price elasticity of demand. 12
4. "The indifference curve analysis has been a major advance in the field of consumer's demand." Critically examine this statement. 12
5. Distinguish between laws of returns to variable proportions and laws of returns to scale. What factors cause increasing returns to scale? 12
6. Explain price and output determination under the condition of perfect competition in the short run and in the long run. Illustrate your answer graphically. 12
7. Why do monopoly firms adopt discriminatory pricing policy? Under what conditions is price discrimination desirable and profitable? 12
