



VIT[®]

Vellore Institute of Technology

Final Assessment Test – November/December 2023

Course: **BHUM103L - Micro Economics**

Class NBR(s): **4392**

Time: **Three Hours**

Slot: **E1+TE1**

Max. Marks: **100**

KEEPING MOBILE PHONE/SMART WATCH, EVEN IN 'OFF' POSITION, IS TREATED AS EXAM MALPRACTICE

PART – A (5 X 8 = 40 Marks)

Answer any FIVE Questions

1. Which definition of economics is best and why?
2. Due to decrease in price of fountain pen why does the demand of ink increase? And also explain the exceptions to the law of demand?
3. An economy's GDP per capita has increased from around Rs 40,000 to Rs 70,000 in the last 10 years. Over the period quantity demanded of personal cars has increased from 3, 00,000 units per year to 5, 00,000 units. Quantity demanded of public transport, however, has declined from 9,000 buses to 5,000 buses. Calculate income elasticity of demand and tell which product is a normal good and which one is inferior and give reason.
4. Are the market equilibrium and producer's equilibrium the same? Bring the difference between the two with proper illustration.
5. i) Suppose the fixed cost of a factory is Rs. 45,000, the selling price is Rs. 35 and the average variable cost is Rs. 18, so the break-even point would be?
ii) A firm has a fixed cost of Rs. 2,25,000 and the profit target is Rs.1,10, 25, 000. If the sales price is Rs.118 and the average variable cost is Rs.114, what will be the total volume of sales? And if the price decreases from Rs 118 to 116 what will be the new total volume of sales?
6. Is there price discrimination in monopolistic competitive market? Support your answer.

PART – B (5 X 12 = 60 Marks)

Answer any FIVE Questions

7. Explain the changes that will establish equilibrium price under these two conditions with proper diagrams.
 - a) When the price of a good is lower than equilibrium price.
 - b) When the price of a good is higher than equilibrium price.
8. What do you mean by Price elasticity of Supply? Illustrate the types of price elasticity of supply with proper illustration.
9. "In order to get equal increases in output, both factor are increased in larger proportionate units"- Explain the statement with the help of Iso-quant and Iso-cost line.

10. Calculate TC, AFC, AVC, AC and MC from the following data. If the price of the product is going to be Rs 25 per unit. What will be the break-even point for the following data?

UNITS OF INPUT	TOTAL OUTPUT	TFC	TVC
0	0	500	0
1	4	500	30
2	6	500	50
3	9	500	60
4	13	500	65
5	18	500	75
6	23	500	95
7	25	500	125
8	27	500	165
9	30	500	215
10	34	500	275

11. How is price determined in the oligopoly market which is highly competitive in Nature?
12. Briefly explain the general equilibrium between exchange and production with proper diagrams.

