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VIT[®]

Vellore Institute of Technology

(Deemed to be University under section 3 of UGC Act. 1956)

School of Social Sciences and Languages
Continuous Assessment Test 2
October 2023 – Fall Semester
(B.Tech)

| | | | |
|--------------------|--------------------------|-------------------|---------------------------|
| Course Code | : BHUM103L | Duration | : 90 Minutes. |
| Course Name | : Micro Economics | Max. Marks | : 50 Marks |
| Class No | : VL2023240104814 | Date | : 18/10/2023 |
| Slot | : D2+TD2 | Time | : 9.30 to 11.00 am |

Faculty-In-Charge: Dr Sumeetha M

Answer All the Questions (5 x 10 = 50 Marks)

| Q. No. | Questions | Max. Marks |
|--------|---|------------|
| 1. | A farmer observes that in the short run, as more and more units of labour is used keeping other factors fixed the total output he get declines. What is this law of production called? Explain it with the help of a diagram. | 10 |
| 2. | Laws of returns to scale operate in the long run. Do you agree or disagree? Why or why not? What are diseconomies of scale? | 10 |
| 3. | Firm Mars produces paints. Draw the Marginal and Average Total Cost curves for this firm in the short run. Why do the cost curves have a particular shape? Draw the long run AC curve and explain its shape. | 10 |
| 4. | What are fixed and variable costs? Draw the Average Fixed Cost curve. The pen manufacturing firm has following cost details given. Complete the cost table. | 10 |



| Quantity | Total Fixed Costs | Total Variable Costs | Total Costs | AFC | AVC | Marginal Cost (MC) |
|----------|-------------------|----------------------|-------------|-----|-----|--------------------|
| 0 | 50 | | 50 | | | |
| 1 | 50 | | 90 | | | |
| 2 | 50 | 50 | | | | |
| 3 | | 65 | 115 | | | |
| 4 | | 100 | 150 | | | |
| 5 | 50 | 165 | | | | |

| | | |
|----|--|----|
| 5. | Nissan is using two inputs labour and capital in car production. If both of them can be used only in a fixed proportion what will be the shape of the isoquants? What will be the shape of the isoquant if labour and capital has diminishing MRTS? Show it with the help of diagrams. | 10 |
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