



- KEEPING MOBILE PHONE/ELECTRONIC GADGETS, EVEN IN 'OFF' POSITION IS TREATED AS EXAM MALPRACTICE
- DON'T WRITE ANYTHING ON THE QUESTION PAPER

General Instructions:

1. Draw the diagrams wherever required and label the axis properly.
2. Avoid bullet points.

Answer ALL Questions

(10 X 10 = 100 Marks)

1. Elucidate economics as a science and as an art with suitable examples. [10]
2. Explain the relationship between marginal utility (MU) and total utility (TU) that a consumer derives on the consumption of successive units of a commodity. [10]
3. A consumer has a utility function: $U = (X+2)(Y+1)$, P_x (price of X) = 4, P_y (price of Y) = 6 and M (income of the consumer) = 130. Find the utility maximizing quantities of X and Y using Lagrange method. Also, graph the optimal point. [8+2]
4. Given the demand for Mutton:
 $Q_b = 4850 - 5P_b + 1.5P_c + 0.1Y$, where Q_b is the quantity demanded of Mutton, $P_b = 200$ is price of Mutton, $P_c = 100$ is price of chicken and $Y = 10000$ is national income. Find own price elasticity, income elasticity and cross-price elasticity of demand for Mutton. On the basis of cross price elasticity of Mutton, explain the nature of relationship between Mutton and chicken. [8+2]
5. Suppose the quantity demanded of wheat increases from 300 tonnes to 350 tonnes when the national income increases from \$20,000 to \$25,000. Calculate the income elasticity of demand using the mid-point method. On the basis of income elasticity, explain the nature of wheat as a good. [8+2]
6. A firm's production function is given by $Q = 5L^{1/2}K^{1/2}$. What is the amount of L and K required for producing 200 units of output at the minimum cost, assuming price per unit of labour and capital is Rs.3 and 4 respectively. Also find the total cost of production. [7+3]
7. (a) The total fixed cost (TFC) of a new bakery producing bread is Rs.1000 and its average variable cost (AVC) is Rs.6. What will be the breakeven point (BEP) if the selling price of bread is Rs.10? [5+5]
 (b) Explain the reasons behind the U-shape of a long run average cost curve (LAC).
8. Discuss the short run equilibrium of a firm under perfect competition. [10]

9.a) Explain the relationship between marginal revenue (MR), average revenue (AR) and total revenue (TR) under monopoly with the help of an appropriate revenue schedule and diagram [10]

OR

9.b) Explain the rigidity of prices and discontinuity of marginal revenue curve (MR) in oligopoly. [10]

10.a) Illustrate the market failure in the context of a used car market due to asymmetric information. [10]

OR

10.b) Externalities lead to over production and underproduction. Explain the statement graphically. [10]

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