



## Final Assessment Test – November 2025

Course: BHUM103L - Micro Economics

Class NBR(s): 4963

Time: Three Hours

Slot: G1+TG1

Max. Marks: 100

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

COs	CO Statements
CO1	Describe traditional and modern definitions of economics.
CO2	Analyse supply and demand forces that determine equilibrium in a market economy.
CO3	Evaluate the factors affecting firm behaviour, such as production and costs.
CO4	Develop the skills to apply theories, models, and graphs to analyze the national and international cases.
CO5	Discuss the behaviour of market, industry and the performance of firms under different market structures.
CO6	Examine the market failures and the role of government in dealing with those failures.

BL – Blooms Taxonomy Level (1 – Remember, 2 – Understand, 3 – Apply, 4 – Analyse, 5 – Evaluate, 6 – Create)

Answer ALL Questions

(10 X 10 = 100 Marks)

1. Discuss the essential element of normative economics in policy decision making. How does it differ from positive economic approach? CO1 BL1
2. Explain the marginal rate of substitution using an example. How it is similar to the theory of diminishing marginal utility? CO1 BL2
3. Explain the consumer's equilibrium under ordinal approach. Further showcase the effect of price change on consumer's equilibrium. CO2 BL3
4. Discuss the different method of calculating price elasticity of demand and categorize different types of goods based on Income and price elasticity. CO2 BL1
5. Discuss the three stages of production function. Explain graphically the properties of production function in each stage. CO3 BL2

6. A firm's production function is given by  $Q = 2K^{1/2}L^{1/2}$ , while capital and labour costs are \$8 and \$6 respectively. Find the values of K and L which would minimize the total input costs if the firm is contracted to provide 320 units of output. CO3 ~~BL3~~

7. Discuss the elements of long-run average cost. How is it related to the short-run production function and economies of scale? CO4 BL1

8. Apply the logic behind U-shaped cost curve in traditional theory of costs. How does it differ from modern cost theory? CO4 BL3

9.a) Illustrate the profit maximisation condition under perfect competition using two approaches. Explain the rationale behind shut-down point. CO5 BL2

OR

9.b) Analyse the long-run equilibrium of monopoly. Show graphically, what factor keeps it at sub-optimal level of output. CO5 BL2

10.a) Examine the Arrow impossibility theorem and its relationship with Social Welfare Function. CO6 BL3

OR

10.b) Examine the role of negative externalities in market failure in case of public goods. CO6 BL3

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