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**1st SEMESTER EXAMINATION – BBA
NOV – DEC 2009**

**MANAGERIAL MICRO ECONOMICS - I
(HONOURS)**

MIEA3101

Tuesday, December 08, 2009

09:30 am to 11:30 am

Time allowed: 2 hours

Full Marks: 50

Instructions:

- Use fountain pen or ball-point pen of blue or black ink.
- Answer in own words as far as practicable.
- Do not write anything on the Question paper other than Roll No.

GROUP - A

Answer ANY FIVE Questions:

(5 x 2 = 10)

1. What are the objectives of a business firm?
2. What is 'consumer surplus'?
3. The production function of a firm manufacturing locks is given by $Q = 50\sqrt{L}$; where Q is the output and L is the labour input. Find out the average product and marginal product of Labour in the firm.
4. Distinguish between short run and long run production.
5. Define 'price ceiling'. When is price ceiling ineffective?
6. What is 'Return to Scale'?
7. What is opportunity cost?

GROUP - B

Answer ANY FOUR Questions:

(4 x 10 = 40)

8. (a) The utility function of a rational consumer for two goods X and Y is given by $U=XY$. If M be the money income, P_x & P_y the respective prices of the goods then show that the demand for X (or Y) inversely proportional to its' price, other things remaining constant.
(b) Draw the indifference map of a consumer for the following commodities:
 - (i) Pollution and Industrial Development.
 - (ii) Left shoe and Right shoe.

(6+4)
9. ABC Pvt. Ltd. has the following demand function for its product X
 $Q_x = 1000 - 0.2P_x + 0.5 P_y + 0.04M$
Where Q_x = quantity demanded of the product X
 P_x = price of X
 P_y = price of a related good Y
M = income of the consumers
At present $P_x=Rs.100$, $P_y=Rs.120$, $M=Rs.10,000$
 - (i) Find price elasticity of demand for X,
 - (ii) Find income elasticity of demand for X,
 - (iii) Comment on the nature of the good X and its relation with good Y.

(4+4+2)
10. (a) Explain the concept of Marginal Rate of Technical Substitution (MRTS) in the context of the theory of production. How can you explain the convexity of the isoquants in terms of the properties of MRTS?
(b) Show that output maximization under cost-constraint results in the same input combination as does cost - minimization with output constraint.
[Use graphical method only.]

(5+5)
11. The following are the demand and supply functions for a particular brand of wrist watch.
 $q_D = 10,000 - 5P$
 $q_S = 1000 + 5P$
Where q_D , q_s are the quantities demanded and supplied of the commodity and P its price.
 - (i) Draw the above demand and supply curves showing equilibrium price and output.
 - (ii) If demand now rises by 500 units what becomes to the price and equilibrium quantities? Show both mathematically and graphically? At which price does output become zero?

(4+6)

12. (a) Why is the Average Cost curve U-shaped? Why does the MC curve intersect the AC curve at the minimum point of the AC curve?
- (b) Given a cost curve $C=50Q - 10Q^2 + Q^3$
- (i) Find the minimum AVC output level,
 - (ii) Find the output level at which $AVC = MC$. (6+4)
13. Write Short notes on (**any two**): (5x2)
- a. Price-Consumption curve.
 - b. Price support and associated welfare change.
 - c. Law of variable proportions.
 - d. Point elasticity and Arc elasticity.
