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| Student's Roll No. | | - | | - | | - | | | | | |
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ST. XAVIER'S COLLEGE (AUTONOMOUS)

**1st SEMESTER EXAMINATION
B.B.A.
NOV - DEC 2010**

MANAGERIAL MICRO ECONOMICS - I

MIEA3101

Wednesday, December 01, 2010 9:30 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 your own words as far as practicable.
- Do not write anything on the Question paper other than your Roll No.

Group – A

Answer **ANY FIVE** questions.

[5x2 = 10]

1. Define opportunity cost.
2. State and explain Law of demand.
3. Say price elasticity of demand for gasoline is about 0.4. Price of a gallon of gasoline is now Rs.2,000/-. Government wants to reduce use of gasoline by 20%. By how much should it increase the price?
4. Explain the concept of indifference curve.
5. What is Returns to scale?
6. Define learning curve.
7. A consumer spends her income on two goods X and Y. If an increase in price of X by Re. 1 leaves her consumption of Y unchanged, what is the price elasticity of demand for X?

Group – B

Answer **ANY FOUR** questions.

[4x10 = 40]

8. (a) Arun spends his income on two goods: hair gel and toothpaste. Both goods are normal goods.
 - (i) Show the effect of a fall in the price of hair gel on Arun's budget constraint.
 - (ii) Show the effect of a rise in Arun's income on his consumption of hair gel and toothpaste.
 - (iii) Show the effect of a rise in the price of toothpaste on hair gel consumptions.
- (b) Draw the indifference curves for the following commodity along with explanations:
 - (i) Coke and Pepsi.
 - (ii) Computer Chips and Computer Software. [(2x3)+(2x2) = 10]
9. (a) Explain the concepts of producer's and consumer's surplus.
(b) Suppose that government has decided that free market price of the milk is too low. Suppose that government imposes a binding price floor in the milk market. Draw a supply-demand diagrams to show effect of this policy on the price of milk and the quantity of milk sold. Show the effect on producers and consumers surpluses. [4+6 = 10]
10. (a) Explain the concept of expansion paths. Derive the expansion path for the following production function. $Q = \sqrt{LK}$ gives that $W = 100, r = 20$. (All the notations have the usual connotations.)
(b) Explain the concept of Returns to scale. What returns to scale does the above production function follows? Would the expansion path be a straight line if the production function were $Q = LK$? [6+4 = 10]

11. (a) Give two examples of exceptions to the law of demand.
(b) Using supply and demand diagrams, show the effect of following events on the market for personal computers:
(i) Price of computer chips falls.
(ii) There is a rise in consumer incomes.
(iii) The price of computer software rises.
(iv) Universities require incoming freshers to have their own personal computers. [2+(4x2) = 10]
12. (a) Show the relation between SRAVC, SRAFC, SRAC and SRMC with the help of diagrams.
(b) Suppose short run total cost function is $TC = 50 + 2q^2$
What are the equation of ATC & AVC curves? [6+4 = 10]
13. Write short notes on (**ANY TWO**) : [5x2 = 10]
(a) Economic Zone of Production.
(b) Duality between output maximization and cost minimization.
(c) Incidence of tax.
(d) Economics of Scope.
