

**Eastern University, Sri Lanka**  
**Faculty of Commerce and Management**  
**First Year Second Semester Examination in BBA/BCom -2018/19**  
**Repeat- (February/March 2022)**  
**ECN 1024 Microeconomics**

**Answer all Questions**

**Time: 03 Hours**

01. a) Define Positive Economics and Normative Economics? (4 Marks)
- b) Graphically show the movement and shift of the demand curve. (4 Marks)
- c) Briefly explain the effect of price floor. (6 Marks)
- d) Explain major three methods which use to measure elasticity. (6 Marks)
- (Total 20 Marks)
02. a) What is meant by Utility? (2 Marks)
- b) Briefly discuss the properties of indifference curve? (6 Marks)
- c) Graphically show the derivation of Engel Curve. (6 Marks)
- d) Differentiate income effect, substitution effect and price effect. (6 Marks)
- (Total 20 Marks)
- 03) a) Why diminishing marginal returns occur in short run production? Briefly explain. (6 Marks)
- b) Explain the properties of Cobb-Douglas production function. (6 Marks)
- c) A firm has the following production function:  
$$Q = K^{1/2} L^{1/2}$$

i) Calculate  $MP_L$  and  $MP_K$ .

ii) Calculate  $MRTS_{LK}$

iii) Identify the type of returns to scale does it represent? (8 Marks)
- (Total 20 Marks)

- 04) a) What are the factors which cause increasing returns to scale? (4 Marks)
- b) Graphically explain the inverse relationship between cost and production. (4 Marks)
- c) "The long run average cost curve is the locus of minimum points of the short run average cost curves". Explain. (6 Marks)
- d) Suppose a firm is facing the following demand function:  
 $P=100-2Q$ , Firm's  $AC=MC=20$ .  
Determine the equilibrium levels of firm's i) output ii) price iii) profits. (6 Marks)
- (Total 20 Marks)

- 05) a) What is meant by price discrimination in monopoly? (2 Marks)
- b) Explain the equilibrium of the perfect competitive market in the long run. (6 Marks)
- c) Briefly explain why marginal revenue of the monopolist is less than the price charged? (6 Marks)
- d) Graphically explain the price rigidity under oligopoly. (6 Marks)
- (Total 20 Marks)