Eastern University, Sri Lanka
Faculty of Commerce and Management
First Year Second Semester Examination in BBA/BCom -2017/18
(January 2020)
(Proper/ Repeat)
ECN 1024 Microeconomics

<u>**Answer all Questions**</u>　　　　　　　　　　　　　　　　　**Time: 03 Hours**

01.　a)　What is microeconomics?

(5 Marks)

　　b)　What are the factors determine the changes of market demand of a product?

(5 Marks)

　　c)　Explain the consumer surplus and producer surplus using diagram.

(10 Marks)

(Total 20 Marks)

02.　a)　Briefly explain three types of demand elasticity?

(6 Marks)

　　b)　The cross elasticity of demand between fruit salad and ice-cream is 7. What type of goods are they? Justify your answer.

(6 Marks)

　　c)　Explain the law of diminishing marginal utility with suitable example?

(8 Marks)

(Total 20 Marks)

03)　a)　List out the properties of indifference curve?

(6 Marks)

　　b)　Rupan's Budget line relating good X and good Y has intercept on 100 unit of goods X and 40 units of good Y. The price of good X is 24. Calculating the following.
　　　i. Rupan's income?
　　　ii. Price of good Y?
　　　iii. Slope of the budget line?

(6 Marks)

　　c)　Graphically explain the impact of price change using income and substitution effect of a normal good.

(8 Marks)

(Total 20 Marks)

04) a) Define the Marginal Rate of Technical Substitution (MRTS)?

(5 Marks)

b) Graphically show the three stages-of production in the short run.

(5 Marks)

c) "When the scale of production rises a firm become more inefficient" Briefly explain.

(5 Marks)

d) Fill out the entries in the table below.

Q	TC	TFC	TVC	ATC	AVC	MC
0	8					
1	12					
2	14					
3	20					
4	30					
5	50					

(5 Marks)

(Total 20 Marks)

05) a) What are the various features of perfectly competitive market?

(5 Marks)

b) Explain why marginal revenue of a monopolist is less than the price charged?

(5 Marks)

c) A monopolist faces a demand curve, P=100-2Q. If marginal cost is constant and is equal to 20. What is the amount of profits made by the monopolist?

(5 Marks)

d) How does kinked demand curve help in explaining price rigidity under oligopoly?

(5 Marks)

(Total 20 Marks)