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**PRESIDENCY UNIVERSITY
BENGALURU**

**SCHOOL OF COMMERCE
END TERM EXAMINATION - JAN 2023**

Semester : Semester I - 2022

Course Code : BSE1007

Course Name : Sem I - BSE1007 - Fundamentals of Micro Economics

Program : B.Sc. Economics

Date : 12-JAN-2023

Time : 1.00PM - 4.00PM

Max Marks : 100

Weightage : 50%

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.

PART A

ANSWER ALL THE FOLLOWING QUESTIONS

10 X 2 = 20M

1. If the price of commodity X increases from Rs 2,000 per unit to Rs 2,100 per unit and consequently the quantity supplied rises from 2,500 units to 3,000 units. Calculate the elasticity of supply.
a) 4
b) 3
c) 2
d) 1
(CO1) [Knowledge]
2. _____ refers to the sacrifice of alternatives required by that decision. A good example for the same can be _____.
a) Fixed cost, cost which does not change even when the production change
b) Opportunity Cost, losing the interest rate that could be earned by choosing current spending and not saving.
c) Marginal cost, increase in cost due to increase in production of toys
(CO1) [Knowledge]
3. The good Rice where at a particular price of the commodity quantity purchased is 150 units. if the price reduces by 25%, the quantity demanded increases by 75 units. Find elasticity of demand.
a) Elasticity of demand = (-) 2.5
b) Elasticity of demand = (-) 1
c) Elasticity of demand = (-) 3
d) Elasticity of demand = (-) 2
(CO1) [Knowledge]
4. What happens to the budget line the price of one of the goods decreases keeping another good's price same ?
a) The budget line would not shift.
b) The new budget line must be parallel to the old budget line
c) The budget line must be shifting to the left
d) The new budget line will have the same point on Y but the slope will swing right or left
(CO2) [Knowledge]
5. Law of Diminishing Marginal Utility states that _____ of a commodity declines as its consumption continuously _____ while keeping consumption of other commodities constant.
(CO2) [Knowledge]
6. In a perfectly competitive market, the AR curve and MR curve is as same as _____ curve
(CO3) [Comprehension]

7. In the long - run if the firm is facing falling output even when the inputs are increasing, what is this stage called? (CO3) [Comprehension]
8. Price of Fuel during 1980 was Rs.12 and during 1985 was Rs.20. calculate the Price Index. (CO4) [Comprehension]
9. Quote the Laspeyre's Price index number. (CO4) [Comprehension]
10. Define Index numbers. (CO4) [Comprehension]

PART B

ANSWER ALL THE FOLLOWING QUESTIONS

4 X 10 = 40M

11. No matter what is the income, Arun always spend a total of exactly 100 per week on coffee.
 - (a) What does the statement mean?
 - (b) What is the type of elasticity that the statement mentions about.
 - (c) Draw the curve related to the elasticity mentioned in the statement.
 - (d) If the elasticity of demand was equivalent to 1, then give an example to explain that.

(CO1) [Comprehension]
12. The optimum choice of the consumer is identified on the point where the budget line and indifference curve are tangent to each other. Restate the same concept with neatly labelled diagram. Explain the changes in the Price and INcome that may cause change in the optimum choice also.

(CO2) [Comprehension]
13. A firm's SMC schedule is shown in the following table. The total fixed cost of the firm is Rs 100. Find the TVC, TC, AVC and SAC schedules of the firm.

Q	TC
0	-
1	500
2	300
3	200
4	300
5	500
6	800

(CO3) [Comprehension]

14. Elaborate on the meaning of factor reversal test

(CO4) [Comprehension]

PART C

ANSWER ALL THE FOLLOWING QUESTIONS

2 X 20 = 40M

15. Take the time-reversal and Factor-reversal test for the given numerical and provide conclusive remarks

Commodity	Base year		Current year	
	Unit price (₹)	Quantity	Unit price (₹)	Quantity
A	4	40	5	60
B	5	50	10	70
C	8	65	12	80
D	6	20	6	90
E	7	30	10	75

(CO4) [Comprehension]

16. In the Short run, the firm can change only one factor of production and another will be kept constant if we consider the equation Production = f(L,K).
 - I) Draw all the types of short-run Cost curves with complete labelling
 - II) Also illustrate the relationship between AVC, SMC and SAC curves in a single diagram
 - III) Elaborate on the shapes of each cost curves and reason behind it.

(CO3) [Application]