

End-Semester 2014

HS 201: Introductory Microeconomics

Time: 3 hrs

Full Marks: 50

Answer all the questions.

1. Define these terms (maximum in 50 words).

(1X7=7 Marks)

- a) Marginal Resource Cost (MRC)
- b) Public Goods
- c) Green GNP
- d) Cartel
- e) Derived Demand
- f) Information Asymmetries
- g) Market Failure

2. (a.) What is the relationship between short-run and long-run cost curves? (b) What is a Giffen good? Explain, using indifference curves, how it could arise?

(6 + 4 = 10 Marks)

3. Here are data for total production costs of a manufacturing firm at various levels of output

(3+3+2+2+2=12 Marks)

Output (units)	Total Cost (\$)
0	1000
20	1200
40	1300
60	1380
100	1600
200	2300
300	3200
400	4300
500	5650
1000	13650

- a.) Calculate average variable cost (AVC), average total cost (ATC), and average fixed cost (AFC).
- b.) Calculate marginal or incremental cost over each production range for which data are given.

- c.) If this firm can sell as much as it wants at a price of \$ 11, what is its profit-maximizing output?
- d.) How much profit is made?
- e.) At output levels shown in the table immediately on either side of the profit-maximizing output, what is the level of profit?
4. Using the same cost information as for the firm described in question no. 3, you are now given information about demand. The following table shows the price at which the corresponding quantity can be sold:

(3+3+3=9 Marks)

Sales (units)	Price (\$)
20	19.2
40	18.4
60	17.6
100	16.0
200	12.0
300	8.0
400	4.0
500	0.0
1000	-

(You might like to know that this is a straight-line demand curve which can be expressed as $p=20-0.04q$, where p is price and q is quantity sold.)

- a.) What is the marginal revenue for each level of sales?
- b.) What are the approximate profit-maximizing levels of sales and price?
- c.) Draw a graph showing total costs, total revenue, and profit at each level of sales?
5. Explain the short-run equilibrium condition for a firm under monopolistic competition. If this is characterized by the existence of pure profit, what will happen to bring about the long-run equilibrium of the industry?

(3+3=6 Marks)

6. Can you name two goods or services that are

(1+1+1=3 Marks)

- a.) Non-rivalrous but excludable
- b.) Non-excludable but rivalrous
- c.) Non-rivalrous and non-excludable

7. Calculate the price elasticity of demand for the museum of London when arrival of tourist rose from 12965 in 2010 to 24408 per month in 2011 and price fell from \$ 6 to zero.

(3 Marks)
