

IIT Patna

Mid Semester

HS201

Introductory Microeconomics

Time: Two Hours

Marks 30

Section A (Answer any two 5 x 2=10)

1. Explain as what would happen to the demand for kerosene stoves if
 - (i) Price of LPG cylinders rise
 - (ii) Price of Kerosene oil rises
2. Define price and income elasticity of demand. How would you use one of these to define an 'inferior' good? Give two examples of an inferior good.
3. Distinguish between changes in quantity demanded and change in demand.

Section B (Answer any two 10 x 2=20)

4. State the fundamental problems of the economy? Explain these problems in detail and their solutions.
5. Explain the concept of a PPC? How can the PPC be used to address the three central problems of the society?
6. What is the long-run equilibrium condition for a perfectly competitive firm? Is the long-run equilibrium condition of a perfect competitor allocatively and/or technically (productively) efficient? Why or why not?