

International Institute of Information Technology
HS5.202- Introduction to Economics
Monsoon 2024
End-Semester Exam

Time: 90 minutes

Marks: 35

Answer the following questions within 500 words each

1.
 - a) Suppose a consumer exhibits a downward sloping demand curve. As her consumption moves from point A to point B (with B having a lower price level) along the demand curve, what happens to her total expenditure?
 - b) The supply elasticity of rice farmers in Telangana is 0.37 in the short run and 0.52 in the long run. What can explain the difference?
 - c) What is use of employment elasticity in a country's policy making?

4+4+4

2.
 - a) Explain a consumer's utility maximizing equilibrium in a two-commodity framework using the concept of marginal utility per unit of money
 - b) What is the basis of a backward bending supply curve of labour? Explain using the labour-leisure choice problem.

5+6

3.
 - a) Consider a monopolist that faces a market demand function $P = 16 - 2Q$ and total cost function $C = 6Q^2$ with P denoting price and Q quantity. Find out
i) Consumer Surplus; ii) Producer Surplus and iii) Profit for this monopolist.
 - b) A perfectly competitive firm will never produce output while making a loss. Is this statement True, False or Uncertain?

6+6