

TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
Office of the Dean
2016

Full Marks: 60
Time: 3 Hrs.

BIM / Fourth Semester / ECO 201: Micro Economics

Candidates are required to answer all the questions in their own words as far as practicable.

Group "A"

Brief Answer Questions:

[10 × 1 = 10]

1. Why is microeconomics called price theory?
2. List any four causes which shifts demand curve rightwards.
3. What is price elasticity of demand according to Are Method?
4. State the conditions of consumer's equilibrium.
5. Prepare a list of characteristics of monopolistic competition.
6. Let (a) $\alpha = 0.7$ and $\beta = 0.7$ and (b) $\alpha = 0.4$ and $\beta = 0.8$. Compute degrees of returns to scale.
7. List any four causes that raise oligopoly.
8. Consider the supply function, $QS_X = a + bP_X$ and define the components.
9. Write any two relationship between MR and price elasticity of demand.
10. Define transfer earnings.

Group "B"

Short Answer Questions:

[6 × 5 = 30]

11. Explain micro dynamics. Why is it regarded as most comprehensive study of microeconomic variables?
12. What is indifference curve? Explain its properties.
13. Explain the process of derivation of long run average cost curve (LAC). Why is it U-shaped?
14. How is income elasticity of demand computed in a liner demand curve? Explain.
15. Explain the equilibrium of monopoly firm in long run.
16. State and explain the marginal productivity theory of wages.

Group "C"

Comprehensive Answer Questions:

[2 × 10 = 20]

17. Read the following situation and answer the questions asked below:

The basic function of managers of a business firm is to achieve the objective of the firm to the maximum possible extent with the limited resources placed at their disposal. Modern business condition are changing so fast and becoming so competitive and complex that personal business sense, intuition and experience alone may not be sufficient to make appropriate business decisions. Managers have to solve operational issues (problems) under the conditions of uncertainty and risk due to uncertain behavior of market forces, changing and business environment. Microeconomics offers concepts, models and tools to solve the operational issues. Thus, the scope of microeconomics in business decision making comprises all these economic concepts, theories and tools which can be used to solve issues related to business operations and to find solutions to practical business problems.

- a) Suppose that about a considerable number of companies are operating vegetable farming in Nepal. They are realizing the problems of fluctuations in prices of vegetables at different seasons in a large extent. What, forces of market are responsible to create this problem? Which pricing model would you suggest to solve this problem? Give reasons.
- b) All companies set the goal of maximizing output for 2017. However, they are facing the problem of budget constraint. In this situation, which microeconomic tool do you suggest to achieve the goal? Give reasons. [5+5]
18. Consider the production function, $Q = 14L + 7L^2 - L^3$.
- a. Compute TP, AP and MP, graph them and explain three stages of production. Point out the causes for the operation of these stages of production.
- b. Explain the relationship between TP and MP by using output schedule. [(1.5+1.5+3+2)+2]

