

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. Define non-linear demand function.
2. List the types of income elasticity of demand.
3. Write any four assumptions of indifference curve analysis.
4. State the condition of shut-down point.
5. Write any two differences between perfect competition and monopoly.
6. Find the value of marginal product using the production function $Q = 98L - 3L^2$ at 5 units of labor.
7. What are the causes for raising oligopoly?
8. State the relationship between AR and MR in perfect competition.
9. Write examples of fixed cost.
10. List the motives of demand for money suggested by J. M. Keynes.

Group "B"

Short Answer Questions:

[6 × 5 = 30]

11. Explain the types of microeconomics.
12. What is price elasticity of demand. Explain its uses in business decision making.
13. How are the price and the output determined under monopoly in long-run?
14. Explain the characteristics of long-run average cost curve.
15. Describe the properties of Cobb-Douglas production function.
16. Explain the process of interest rate determination in reference to loanable funds theory of interest.

Group "C"

Comprehensive Answer Questions:

[2 × 10 = 20]

17. If a household has total income of Rs 20,000 per month. Household spends its entire income in two categories, food and cloth. Given the per unit price of food and cloth as Rs. 500 and Rs 1,000 respectively.
 - a. Construct the budget constraint and budget line of the household.
 - b. If the household spends half of the income per month in food and half in cloth; what units of food and cloth the household consumes in each month? Show it graphically.

- c. If the household reallocates its expenditure as Rs 5,000 on food and Rs 15,000 on cloth. Find where the household ends on its budget line.

18. Kwaliti fast food (KFC) Nepal has made research on the consumption behavior of their consumers related to the consumption of Pizza in their outlets. According to their survey, the market demand for Pizza is found as $Q_d = 300 - 20P$. To know the market competitiveness and the price range of same category of pizza in Nepalese pizza outlets, KFC has also made another research on supply side of the market, the research found that, the market supply for Pizza is $Q_s = 20P - 100$. With the given scenario and information solve the following questions:

- Graph the supply and demand schedules for pizza using price at Rs 5, Rs 10 and Rs 15.
- In equilibrium, how many pizzas would be sold and at what price?
- What would happen if suppliers set the price of pizza (i) at Rs 15 and (ii) at Rs 5?
- Suppose the price of hamburgers doubles and leads the doubling of demand for pizza. What will be new demand function and new equilibrium price and quantity of Pizza in Nepalese market?

