Continuous Assessment Test (CAT) – I AUGUST 2025

Programme	:	B.Tech	Semester	:	Fall 2025
Course Code & Course Title	:	BHUM103L Microeconomics	Class Number	:	CH2025260101053
Faculty	:	Dr. Shalina Susan Mathew	Slot	:	C1+TC1
Duration	:	90 minutes	Max. Mark		50

General Instructions:
- Write only your registration number on the question paper in the box provided and do not write other information
- Use statistical tables supplied from the exam cell as necessary
- Use graph sheets supplied from the exam cell as necessary
- Only non-programmable calculator without storage is permitted

Answer all questions

Q. No	Sub Sec.	Description	Marks
1		(a) Distinguish between positive and normative analysis. Give one example each of positive and normative statements (*Your examples should be different from the statements in the below quote*). *(Marks: 6 + 3)* (b) Determine whether each of the following statements is positive or normative, and justify your answer in 1-2 sentences: *(Marks: 6)* *"The inflation rate increased by 5% over the past year, causing the average price of goods to rise significantly. Some experts argue that raising interest rates can help control inflation by reducing consumer spending. Nevertheless, the central bank should focus on protecting low-income families from the negative effects of inflation by implementing targeted subsidies. It is also important that economic policies aim to reduce income inequality to create a fairer society."*	15
2		(a) Explain cross-price elasticity of demand. (b) Based on the idea of cross-price elasticity of demand, define substitute and complementary goods. (c) Provide a real-world example of substitute goods. Using numerical values, calculate the cross-price elasticity of demand for these goods, and interpret the result. *(Marks: 3*5 = 15)*	15

[PTO for more questions]

3		(a) Distinguish between change in supply, and change in the quantity supplied. Explain the major variables that influence the change in supply, and change in the quantity supplied. (Marks: 10) (b) A severe drought in the country of Kopicano damages its coffee crop. (Marks: 2*5 = 10) (i) Draw and discuss a supply-demand diagram to explain the new market equilibrium for coffee (ii) What do you think the impact of this drought has been on the equilibrium price and quantity of tea? Draw a supply-demand diagram for the tea market to explain your answer. Consider tea as a related good.	20

**********All the best *************