Course Code:SS 135	Course Name: Microeconomics	Final examination 2020
Instructors / Michael Hieman Simon	01-07-2020	
Department: Computer Science	Batch :	

Instructions

- The paper should be handwritten, scanned and submitted on the LMS.
- The students will also email the solution to the instructor.
- All solution papers must be ordered sub sequentially and submitted as one file
- All pages should be numbered and must have student ID, Section and course name on it.
- There should only be one submission from the students.
- The students must use A4 size papers for all the solutions.
- ***Three hours*** is the solution time and ***one hour*** is the submission time.
- No late submission will be entertained.

Time: (3+1) hrs. **Max Marks**: **100(Wt. 50)**

Question no.1 **(20)**

- What are the resources used in making of a newspaper?
- Compare sunk cost with opportunity cost and fixed cost.
- What do you understand by economies of scale?
- Differentiate short run and long run periods of production.

Question no.2 **(10)**

The equation of the demand curve has been estimated to be Q = 100 – 10P + 0.5Y assume that price equals 7 and Income equals 50.

i. At price 7 what is the price elasticity?
ii. At income 50 what is the income elasticity?
iii. Now assume that income is 70 what is income elasticity?

Question no.3 (a) **(10)**

Assuming the price increase in the normal good with the help of indifference curve explain the total price effect i: e the substitution and the income effects and also derive the demand curve.

Question no.3 (b) **(12)**

Explain the following in detail:

- Implicit cost
- Explicit cost
- Marginal cost
- Marginal product
- Law of diminishing returns
- Average variable cost

Question no.4

a) Write down the assumptions of the pure competition. **(5)**
b) Discuss the applications of pure competition in the real world. **(5)**
c) Use marginal revenue and marginal cost rule to explain Loss and Profit of pure competitive firm in the short run. **(15)**
d) Derive the supply curve of pure competition. **(3)**

Question no.5

a) With the given conditions how would the monopolist maximize profit: **(10)**

$$X=200-2p$$

$$P=100-0.5x$$

The cost of the two plants are:

$$Ca=10Xa \text{ and } Cb=0.25Xb$$

b) Find the profit maximizing levels for the monopolist and also the elasticities in both segmented markets. **(10)**

$X=50-0.5p$ and the segmented market functions are: $X1= 32-0.4p$, $X2= 18-0.1p$

Where $X= X1+X2$

Paper Ends