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| **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.

1. At price 7 what is the price elasticity?
2. At income 50 what is the income elasticity?
3. 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**

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

**Question no.5**

1. 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 and Cb=0.25Xb

1. 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