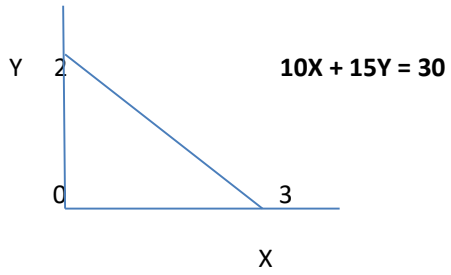
SOLUTION TO MIS-SEMESTER QUESTIONS 2017

Q1 (a) Because AR is the per unit price, while MR is the change in TR with a unit change in commodity sold which falls beyond a range (will elaborate with diagrams and examples).

(b)



(C) Qd=2200 - 200P (P = Price) and Supply, Qs = 800 + 500P,

P=2/- and q=1800 units

(d) ep= 0.015/0.03 = 0.5

(e) i=9% m=12

$r=[1+(0.09/12)]^{12}-1 = (1.0075)12 -1 = 1.0938 = 0.0938 = 9.38\%$

Sol. 2 (a) Will explain consumer's equilibrium with the help of Indifference curve and budget line.

(b)Will explain 4 factors which make the demand for a product inelastic.

Sol.3 (a) (i) TR at $3 = 3x3=9/-

TR at $5= 2x5 =10/-

As the revenue is increasing when the price is increased, the demand for the product is inelastic.

(ii) ep by mid-point method= $(-1/2)x[(5+3)/(2+3)] = (-1/2) /(8/5) =-4/5 =-0.8$ or $|ep|=0.8$

By point method $ep= (-1/2)/ (3/3) = -0.5$ or $|ep|=0.5$

(b) A= $5000(A/P, i, n) = 0.2504 x $5000 =**$1252.28**

Sol.4 (a) $Qx=15000 -3000Px+7Y+300Pc$

where Qx=quantity demanded of bar soaps, Px=Price of Fair bar soaps, Y=Per capita income of the consumers, Pc=Price of the related product.

Currently, Px=Rs.5, Pc=Rs.6 and Y=Rs.6000

$Qx=15000-(3000x5) + (7x6000) + (300x6) = 43800$

(i) e_p = -[3000 x(5/43800)] = -15000/43800 = 0.3425 <1 , so less elastic .

(ii) e_y= 7 x(6000/43800) = 42000/43800 = 0.958 , inelastic and Normal good.

(b) (i) ec=+ 1.2 and ec = -1.5

So first case, they are substitutes and the second case is of complementary commodities.

(ii) With a 5% rise in price in case of substitutes, the demand for the other good will increase by (1.2x5) that is 6% and in the case of complements the demand for the other good will decrease by (1.5X5) that is 7.5%.

Sol.5 (a) Will explain the Law of Demand curve with a schedule and curve.

(b) F= [2000(F/A, 8%, 5years)][F/P,8%,5Years]

= [2000x5.8667] (1.469) = 11733.4 x 1.469 = **17236.36**

Sol.6 (a) i=10% and n=4 years

P= [50 + 50(A/G, i, 4)][P/A, i,4] = [50 + {50x1.38116)][3.1698]

= [50 + 69.058] [3.1698] = **377.39**

(b) F= 10000/- n=5 years i=8%

A = 10000 x 0.1704 = **1704.66**
