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Sub Code MS 5(509

INSTITUTE OF MANAGEMENT STUDIES
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December - 2023
M.B.A. (FA) FINAL EXAMINATION
SEMESTER -I
Subject Microeconomics

Time: 3 Hrs Max Marks: 60

*Note:(1) Do any three (3) questions from section A.(3x10) ,*
*(2) All the questions in Section B are complory (3x10).*

## *Section A*

*Q 1 Explain 10 principles of economics*
*Q 2 What is elasticity and its types? Define the price elasticity of demand and the income elasticity of demand.*
*Q 3 Explain the process of sudden increase in Tomato price and subsquent reduction in price with the help of demand and supply curves.*
*Q 4 Draw the cost curves for a typical firm. Explain how a competitive firm chooses the level of output that maximizes profit. At that level of output, show on your graph the firm's total revenue and total cost.*
*Q 5 Write notes on: (1) Law of Diminishing Marginal Utility (2) Equi Marginal utility (3) Dead Weight in Monopoly (4) Price discrimination.*

## *Section B (3x10)*

*Q 6 Draw the demand, marginal-revenue, average-total-cost, and marginal-cost curves for a monopolist. Show the profit-maximizing level of output, the profit-maximizing price, and the amount of profit.*

**Q 7.** *Consider total cost and total revenue given in the following table:*

| *Quantity* | *0* | *1* | *2* | *3* | *4* | *5* | *6* | *7* |
|---|---|---|---|---|---|---|---|---|
| *Total cost* | *$8* | *9* | *10* | *11* | *13* | *19* | *27* | *37* |
| *Total revenue* | *$0* | *8* | *16* | *24* | *32* | *40* | *48* | *56* |

**A)** Calculate profit for each quantity. How much should the firm produce to maximize profit?
**B)** Calculate marginal revenue and marginal cost for each quantity. Graph them. (Hint: Put the points between whole numbers. For example, the marginal cost between 2 and 3 should be graphed at 21/2.) At what quantity do these curves cross? **C)**How does this relate to your answer to part (A)?
**D)** Can you tell whether this firm is in a competitive industry? If so, can you tell whether the industry is in a long-run equilibrium?

*1/2 PTO*

P. T. O

**Q 8** A publisher faces the following demand schedule for the next novel from one of its popular authors:

| Price | $100 | 90 | 80 | 70 | 60 | 50 | 40 | 30 | 20 | 10 | 0 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Quantity Demanded | 0 novels | 100000 | 200000 | 300000 | 400000 | 500000 | 600000 | 700000 | 800000 | 900000 | 1000000 |

The author is paid $2 million to write the book, and the marginal cost of publishing the book is a constant $10 per book.

(a) Compute total revenue, total cost, and profit at each quantity. What quantity would a profit-maximizing publisher choose? What price would it charge?

(b) Compute marginal revenue. How does marginal revenue compare to the price? Explain.

(c) Graph the marginal-revenue, marginal-cost, and demand curves. At what quantity do the marginal-revenue and marginal-cost curves cross? What does this signify?

(d) In your graph, shade in the dead weight loss. Explain in words what this means.

(e) If the author were paid $3 million instead of $2 million to write the book, how would this affect the publisher's decision regarding what price to charge? Explain.

(f) Suppose the publisher was not profit-maximizing but was concerned with maximizing economic efficiency. What price would it charge for the book? How much profit would it make at this price?

*2/2 End*