

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com (Hons.) Winter 2017-18 Examination

Semester: 2

Subject Code: 16100155

Subject Name: Micro Economics

Date: 29/12/2017

Time: 10:30 am to 1:00 pm

Total Marks: 60

Instructions:

1. Attempt all questions as directed.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.

Q-1(A) Choose the appropriate answer from the following.**(06)**

1. Which of the conditions support long run equilibrium in monopolistic competition?
 - a) $MR=MC, AR=AC$
 - b) $P=MC, AR=AC$
 - c) $MR=MC=AR=AC$
 - d) $AR=MR=AC$
2. Which of the following is not a characteristic of Imperfect Competition?
 - a) Perfect knowledge
 - b) Free transport
 - c) Free Entry of firms
 - d) Homogeneous product
3. Pareto Optimality is related to the concept of _____.
 - a) Production efficiency
 - b) Allocative efficiency
 - c) Both a and b
 - d) None of these
4. Rate of return that an investment provides its investor is classified as
 - a) investment return rate
 - b) internal rate of return
 - c) internal rate of return
 - d) intrinsic rate of return
5. In Perfect competition, a firm's marginal revenue equals its _____.
 - a) Average revenue
 - b) Price
 - c) Both a and b
 - d) None of these
6. A price ceiling creates _____ when it is set _____ the equilibrium price.
 - a) Excess demand—below
 - b) Excess demand -- above
 - c) Excess supply -- below
 - d) Excess supply -- above

Q-1 (B) Define following.**(06)**

- | | |
|---------------------|----------------------|
| 1) Tax Incidence | 2) Capital Budgeting |
| 3) Pareto Principle | 4) Monopoly |
| 5) Oligopoly | 6) Payback Period |

Q-2 Answer the following.**(12)**

- A. Explain the features of monopolistic competition?
- B. Compare the Perfect Competition and Monopoly market?
- C. Explain the problem of incidence of indirect tax.

Q-3 Answer the following.**(18)**

- A. What is Payback period? Explain advantages and disadvantages of Payback period.
- B. Explain equilibrium under price discrimination.
- C. What is Social Welfare Function? Explain the role of value judgement in welfare economy.

OR

- C. Explain the Compensation Principle.

Q-4 Answer the following. (Any Two out of Three)**(18)**

- A. Explain price output determination under monopoly market.
- B. Explain Kaldor-Hicks compensated principle.
- C. What is Price Discrimination? When price discrimination is possible? Explain all the degrees of Price Discrimination.