

Seat No. : _____

N29-122

December-2014

Second Year M.B.A (Ks) (Integrated)

Micro Economics – Theory

Time : 3 Hours]

[Max. Marks : 100

Instructions : (1) Be legible and neat.

(2) Draw neat diagrams wherever necessary.

1. (a) Explain the following briefly : **8**
 - (i) Slack Earnings
 - (ii) Principle agent problem
 - (iii) Expense Preference
 - (iv) Balanced growth
- (b) Explain the behaviour of sales-maximising single product firm under single period model. How is this firm's behaviour different from a profit maximizing firm ? **12**
2. (a) Explain the following : **12**
 - (i) Consumer Equilibrium
 - (ii) Hypothesis of Utility Maximisation
 - (iii) Income consumption curve.
- (b) Explain price effect in case of normal good and draw a detailed diagram to illustrate the same. **8**
3. Attempt any **two** : **20**
 - (a) State the law of demand. What are the exceptions to it ?
 - (b) What is price elasticity of demand ? Discuss its types, determinants and measurement methods.
 - (c) If you are a seller of refrigerators to both-consumers and industrial units, what considerations you will keep in mind to forecast the direct and derived demand of the same ?

4. Discuss the following in detail : (any **four**) **20**
- (i) Ridge Lines
 - (ii) Law of variable proportions
 - (iii) Determinants of elasticity of supply
 - (iv) CES production function
 - (v) Cobb-Douglas production function
5. Attempt any **two** : **20**
- (a) Explain economics and diseconomics with relevant examples.
 - (b) Explain short run cost function with the help of a diagram.
 - (c) Explain the concept of BEP. What are its determinants and managerial uses ?
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