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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Term Examination, May 2018

Program: BBA LLB Corporate Law & BBA LLB BFI/ IT

Subject (Course): Micro Economics

Course Code : CLNL1014

No. of page/s: 4 pages

Semester – II

Max. Marks : 100

Duration : 3 Hrs

Note: All Section are Compulsory

Section – A

Objective Type

(10 x 1=10 Marks)

1. Normally a demand curve will have the shape:

- A. Horizontal
- B. Vertical
- C. Downward sloping
- D. Upward sloping

2) Law of demand shows relation between:

- A. Income and price of commodity
- B. Price and quantity of a commodity
- C. Income and quantity demand
- D. Quantity demanded and quantity supplied

3) This is an assumption of law of demand:

- A. Price of the commodity should not change
- B. Quantity should not change
- C. Supply should not change
- D. Income of consumer should not change

4) If quantity demanded is completely unresponsive to changes in price, demand is:

- A. Inelastic
- B. Unit elastic
- C. Elastic
- D. Perfectly inelastic

5) Other things equal, if a good has more substitutes, its price elasticity of demand is:

- A. Larger
- B. Smaller

C. Zero

D. Unity

6) Price of a product falls by 10% and its demand rises by 30%. The elasticity of demand is:

A. 10%

B. 30%

C. 3

D. 1/3

7) If elasticity of demand is very low it shows that the commodity is:

A. A necessity

B. A luxury

C. Has little importance in total budget

D. (a) and (c) above

8) The following are causes of shift in demand EXCEPT the one:

A. Change in income

B. Change in price

C. Change in fashion

D. Change in prices of substitutes

9) When demand is perfectly inelastic, an increase in price will result in:

A. A decrease in total revenue

B. An increase in total revenue

C. No change in total revenue

D. A decrease in quantity demanded

10. If demand is unitary elastic, a 25% increase in price will result in:

A. 25% change in total revenue

B. No change in quantity demanded

C. 1% decrease in quantity demanded

D. 25% decrease in quantity demanded

SECTION – B

Short Questions: Do any 4 questions.

(4x5=20)

Ques.2. Explain the law of demand. Why does a demand curve slope downward? What are the determinants of demand? What happens to the demand curve when each of these determinants changes? Distinguish between a change in demand and a change in the quantity demanded, noting the causes if each?

Ques.3. In 2001 an outbreak of foot and mouth disease in Europe led to the burning of millions cattle carcasses. What impact do you think this had on the supply of cattle hide, hide prices, the supply of leather goods and the price of leather goods?

Ques.4. Explain even though parking meters may yield little or no net revenue they should nevertheless be retained because of rationing function they perform?

Ques.5. Explain the effect of the following on the price elasticity of demand of a commodity

- a) Number of substitutes
- b) Nature of a commodity

Ques 6. Explain the geometric method of measuring price elasticity of demand.

SECTION – C

Description Type Analytical Question: Do any 2 questions. (10x2=20)

Ques7. Assess the effects of the terrorist attacks of september 11, 2001 and the war on terrorism on the demand for the following items in the United States: airline tickets, gasoline, hotel rooms, books about Afghanistan and Arabic interpreters.

Ques.8. Explain the law of supply. Why does the supply curve slope upward? What are the determinants of supply? What happens to the supply curve when each of these determinants changes? Distinguish between a change in supply and a change in the quantity supplied, noting the cause(s)of each?

Ques 9. How will each of the following changes in demand and /or supply affect equilibrium price and equilibrium quantity in a competitive market; that is do price and quantity rise, fall, remain unchanged, or are the answers indeterminate because they depend on the magnitudes of the shifts? Use supply and demand diagrams to verify your answers.?

- a. Supply decreases and demand is constant.
- b. Demand decreases and supply is constant
- c. Supply increases and demand is constant.
- d. Demand increases and supply increases.
- e. Demand increases and supply is constant.
- f. Supply increases and demand decreases.
- g. Demand increases and supply decreases.
- h. Demand decreases and supply decreases

SECTION – D

Long Type Questions Do any 2 questions.

(25*2=50)

Ques.10. What effect will each of the following have on the supply of Product B?

- a. technological advance in the methods of producing B.
- b. A decline in the number of firms in industry B.
- c. An increase in the price of resources required in the production of B.
- d. The expectation that equilibrium price of B will be lower in the future than it is currently.
- e. A decline in the price of product A, a good whose production requires substantially the same techniques as does the production of B.
- f. The levying of a specific sales tax upon B.
- g. The granting of a 50-cent per unit subsidy for each unit of B produced

Ques.11 "In the corn market, demand often exceeds supply and supply sometimes exceeds demand." "The price of corn rises and falls in response to changes in supply and demand." In which of these two statements are the terms "supply" and "demand" used correctly? Explain.

Ques. 12 Explain the different forms of markets in detail. Also do a comparative analysis on them depending on the different traits. Give relevant examples along.