LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.A. DEGREE EXAMINATION – **ECONOMICS**

FIRST SEMESTER – **NOVEMBER 2024**

UEC 1501 – MICRO ECONOMICS - I

Date: 09-11-2024 Dept. No. Max. : 100 Marks
Time: 09:00 am-12:00 pm

SECTION A - K1 (CO1)	
	Answer ALL the Questions **(10 x 1 = 10)**
1.	**Choose the best answer.**
a)	What is the fundamental economic problem faced by all societies? (A) Unemployment. (B) Inflation. (C) Scarcity. (D) Inequality.
b)	The fundamental principle of revealed preference theory states that: (A) Consumers maximize utility. (B) Consumers' preferences are transitive. (C) Consumers' preferences are complete. (D) Consumers' choices reveal their preferences.
c)	Elasticity of substitution measures: (A) The responsiveness of quantity demanded to a change in price. (B) The responsiveness of quantity supplied to a change in price. (C) The responsiveness of the ratio of two inputs to a change in their relative price. (D) The responsiveness of total cost to a change in output.
d)	In a perfectly competitive market, a firm's short-run equilibrium occurs when: (A) Marginal revenue equals marginal cost. (B) Total revenue equals total cost. (C) Price equals average total cost. (D) Price equals average variable cost
e)	Collusion refers to: (A) The act of competing with other firms. (B) The act of cooperating with other firms to set prices or output levels. (C) The act of reducing costs to gain a competitive advantage. (D) The act of increasing output to lower prices.
2.	**State True or False.**
a)	Economic theory is based on assumptions about how people behave.
b)	For a normal good, the income and substitution effects always work in the same direction.
c)	Returns to scale refer to the change in total output when all inputs are increased in the same proportion.
d)	A firm can be part of multiple industries, but an industry cannot be part of multiple firms.
e)	Selling costs do not affect the price of a product.

	SECTION A - K2 (CO1)
	Answer ALL the Questions **(10 x 1 = 10)**
3.	**Fill in the blanks.**
a)	When the elasticity of demand is equal to 1, it is said to be _________.
b)	A consumer is in equilibrium when their __________ utility per rupee spent on each good is equal.
c)	Total cost is the sum of ______________ and variable costs.
d)	The law of supply states that as the price of a good increases, the quantity supplied of that good also _________ ceteris paribus.
e)	In the Cournot model, each firm assumes that its rivals' output will _____________.
4.	**Answer the following in one or two sentences.**
a)	Infer the meaning of the concept 'Demand'.
b)	Write a note on cardinal utility approach.
c)	Relate Isoquants.
d)	State the conditions of perfect competition.
e)	Define the term 'Oligopoly'.
	SECTION B - K3 (CO2)
	Answer any TWO of the following in 100 words each. **(2 x 10 = 20)**
5.	Discuss the basic problems of an economy.
6.	Identify the difference between cardinal and ordinal utility approach.
7.	Explain the short run cost curves using suitable diagrams.
8.	Examine the conditions for determining the equilibrium of a firm.
	SECTION C – K4 (CO3)
	Answer any TWO of the following in 100 words each. **(2 x 10 = 20)**
9.	Analyse the degrees of elasticity of demand.
10.	Explain the properties of indifference curves.
11.	Examine the learning curve using suitable diagram.
12.	Compare the first and second degrees of price discrimination.
	SECTION D – K5 (CO4)
	Answer any ONE of the following in 250 words **(1 x 20 = 20)**
13.	Assess the law of diminishing marginal utility.
14.	Elucdate the different stages of law of variable proportion.
	SECTION E – K6 (CO5)
	Answer any ONE of the following in 250 words **(1 x 20 = 20)**
15.	Discuss the determination of price and output in the short run by a firm under perfect competition.
16.	Elaborate the kinked demand curve theory.
