

Eastern University, Sri Lanka
Faculty of Commerce and Management
First Year Second Semester Examination in Bachelor of Business
Administration/ Bachelor of Commerce-2014/15 (March 2017)
(Proper/Repeat)
ECN 1024 Microeconomics

Answer all Questions

Time: 03 Hours

01. a) What is microeconomics? Explain the subjects which are related to microeconomics. (4 Marks)
- b) Distinguish between the movement along a demand curve and shift in the demand curve. (4 Marks)
- c) Define elasticity of demand and differentiate between elastic and inelastic demand. (4 Marks)
- d) Using the concept of cross elasticity of demand, define substitutes and complements. (4 Marks)
- e) What do you understand from the terms "price ceiling" and "Price floor". (4 Marks)
- (Total 20 Marks)
02. a) Distinguish between cardinal utility and ordinal utility? Which is more realistic? (4 Marks)
- b) What is meant by indifference curve? Name the properties of an indifference curve. (4 Marks)
- c) Rupan's Budget line relating good X and good Y has intercept of 100 unit of goods X and 40 units of good Y. If the price of good X is 24.
- i. What is Rupan's income
 - ii. What is the price of good Y?
 - iii. What is the slope of the budget line?
- (6 Marks)
- d) Explain consumer's equilibrium condition with the help of indifference curve approach and show how a change in consumer's income will affect his equilibrium. (6 Marks)
- (Total 20 Marks)