EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
FIRST EXAMINATION IN BBA/BCOM 1998/99 (EXTERNAL)
(Repeat) March 2005

BBA/COM 101- Micro Economics

Answer any five Questions. Time: 3 Hours

---

1. i. What do you understand by " Indifference Curves"

(5 Marks)

ii. Explain the nature of Indifference Curves

(5 Marks)

iii. Distinguish between the "Hicksian and Slutsky's approaches to the measurement of income and substitution effects with the help of Indifference Curves

(10Marks)

2. Examine the Revealed Preference Theory of consumer behaviour. How far is it an improvement over the indifference analysis?

(20 Marks)

3. i. What is meant by the " Law of diminishing returns "

(5 Marks)

ii. Show in a diagram the three stages of a short run total product curve. How does the marginal product behave in each stage and why?

(10 Marks)

iii. Distinguish between increasing and decreasing returns to scale?

(5 Marks)

4. i. Distinguish between marginal cost and average cost

(5 Marks)

ii. Discuss the nature of short run and long run average cost curves why is the long run cost curve flatter than the short run cost curve?

(10 Marks)

iii. What is the basis for "U" shaped average cost curve?

(5 Marks)

5. i. Explain the major characteristics of a perfectly competitive firm

(5 Marks)

ii. Show with a diagram how the market of a perfectly competitive firm price is determined.

(5 Marks)

iii. Explain with diagrams the equilibrium of a perfectly competitive firm

(10 Marks)

6. i. Distinguish between monopoly and monopolistic competitive markets.

(8 Marks)

ii. Under what conditions a monopolistic firm use price discrimination?

(6 Marks)

iii. Explain the short run equilibrium of a monopolist?

(6Marks)

7. State and explain whether the following statements are true or false.

i. A consumer is in equilibrium when $Mu_x/P_x = Mu_y/P_y = \ldots\ldots Mu_n/P_n$

ii. Marginal cost curve is the supply curve of perfectly competitive firm

iii. When demand is elastic an increase in price will reduce the total revneue.

iv. Total utility falls when $Mu < 0$

(4x5 Marks)

8. Briefly explain the following:

i. Marginal and total utilities

ii. Commodity differentiation

iii. Iso-quants.

iv. Elasticity of Demand

(4x5 Marks)