EASTERN UNIVERSITY,SRI LANKA
FACULTY OF ARTS AND CULTURE

GENERAL DEGREE PART I EXAMINATION IN ARTS & CULTURE , (1999/2000) Jan-2004.
(EXTERNAL DEGREE)ECO 201 MICROECONOMICS.

Answer   any five questions   **Time: 3 Hours.**

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1   a   Briefly explain what do you understand by indifference curves and state their characteristics.

(8 marks)

   b   Explain the Hicksian model with diagram to separate substitution and income Effects, and how it differs from Slutsky's model .

(12 marks)

2   a   Define short-run and long-run production function.   (4 Marks)
    b.   Differenciate MP,TP,and AP.   (4 marks)

   c   "Diminishing returns occur in the short-run when there is a reduction in the Marginal product of the variable factor". Explain with diagram.

(12 marks)

3   a   Differentiate the fixed and variable costs with examples.

(4 marks)

   b   Explain the factors which determine the shape of the ATC curves in long-run.

(8 marks)

   c   Distinguish "reserve capacity" from "excess capacity".   (8 marks)

4   a   Describe the features of a perfectly competitive market structure.   (6 marks)
    b.   How does perfect competitive market differ from monopolistic competitive

   market.

(4 marks)

   c   Explain how profit maximization in the long run is different from short-run

   positions of above market structure.

(10 marks)

5 a Explain how does an industry become a monopoly.

(4marks)

b Explain and illustrate the equilibrium position of monopoly. (8 marks)

c Explain the term "price discrimination" and the conditions necessary for it.

(8 marks)

6 a Explain how advertisement is important in a monopolistic competitive market structure.

(4 marks)

b Explain the term "product differentiation " in the above market structure.

(4 marks)

c Explain and illustrate short-run equilibrium condition of monopolistic competition.

(12 marks)

7 a Analyse the main characteristics of Oligopoly.

(8 marks)

b How does the kinked demand curve describe the stratergic behaviour of an Oligopolistic firm ?

(12 marks)

8 Briefly explain any three of the following.

a Isoquants

b Returns to scale.

c Consumer surplus.

d Cardinal utility approach.

(20 marks)