

[This question paper contains 2 printed pages.]

Your Roll No.....*30*.....

Sr. No. of Question Paper : 536

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Unique Paper Code : 2922101101

Name of the Paper : Microeconomics I

Name of the Course : B.A.(H) Business Economics

Semester : I

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt *cin* five Questions in all.
3. Question no. 1 is compulsory.

1. Write Short Notes on the following (**any three**) :

(6×3=18)

- (a) Positive and Normative Economics
 - (b) Asymmetric Information and Moral Hazard
 - (c) WARP
 - (d) Satiation Point
2. What is Production Possibilities Curve? Distinguish between 'the movement from a point inside a

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production possibility curve to a point on a production possibility curve' and 'movement from one production possibility curve to another production possibility curve' Explain how production possibility curve solves the three central problems of an economy. (18)

3. Explain the price effect for normal, inferior and giffin goods using Slutsky Analysis diagrammatically with both income and substitution effect. (18)
4. Distinguish between Risk and Uncertainty. What does it mean to say that a person is risk averse? Explain why are some people likely to be risk averse while others are risk lovers? Why is an insurance company likely to behave as if it were risk neutral even if its managers are risk - averse individuals? (18)
5. Discuss the derivation of the longrun average cost curve. (LAC) How is it related to the shortrun average cost curve and shortrun marginal cost curves (SMCs)? Why is it called an envelope curve? (18)
6.
 - (i) Use isoquants and isocost curves to explain how does a producer minimize his cost of production for a given out-put? (9)
 - (ii) Explain returns to scale using isoquants diagrammatically. (9)