SECTION-A

1. Answer any FIVE of the following
   Each answer should not exceed one page.  \( (5 \times 2 = 10) \)

   a) Explain in brief the nature of Micro Economics.
   b) What is meant by demand schedule?
   c) What is ISO-Quant?
   d) What is meant by opportunity cost?
   e) Write short note on oligopoly.
   f) How is monopoly price determined?
   g) Estimate average and marginal cost from the following cost function:
      \[ TC = 150Q - 8Q^2 + 3Q^3 \]
   h) What do you mean by ‘supply’ in economics.

SECTION-B

Answer the following

UNIT-I

2. a) Explain the scope of micro economics.  \( 8 \)

   OR

   b) Explain the uses of micro economics.  \( 8 \)
UNIT-II

3. a) Over the years the demand for textiles in India has grown in spite of rising prices. How would you reconcile this fact with the Law of demand? 8

OR

b) The demand curve for commodity ‘X’ is represented by \( Q_X = 160,000 - 1000 p \). Construct the demand schedule assuming initial price to be Rs.100 and consequent increase by Rs.10 upto Rs.150. Plot the demand curve. 8

UNIT-III

4. a) Explain how does a long run production function differ from a short run production function? 8

OR

b) Explain the Laws of returns to scale. 8

UNIT-IV

5. a) What are the relations between returns to scale and the long run average cost? 8

OR

b) Explain the concepts average fixed cost, average variable cost, average cost and marginal cost and show their relationship. 8

UNIT-V

6. a) Explain different types of market structures. 8

OR

b) Describe the basis for classification of markets. 8

SECTION-C

7. Case Study (Compulsory) 10

Suppose that you are the president of firm that produces and sells four products:
Apples, Oranges, Grape fruits and Kiwi fruits.
Each product has the following price elasticity of demand.
<table>
<thead>
<tr>
<th>Product</th>
<th>Price Elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>2.50</td>
</tr>
<tr>
<td>Orange</td>
<td>1.00</td>
</tr>
<tr>
<td>Grape fruit</td>
<td>1.75</td>
</tr>
<tr>
<td>Kiwi fruit</td>
<td>0.65</td>
</tr>
</tbody>
</table>

Because of the company is experiencing serious cash flow problems, your immediate objective is to increase total revenue.

Questions :

i)  What is your pricing strategy for each product? Why?
ii) Would it help to know cross-price elasticities? Why?

[41/IIT/308]