

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR****Course: Principles of Micro Economics  
Semester-I (Batch: 2015-20)****End Semester Examination: Oct-Nov. 2015****Date: 29<sup>th</sup> October, 2015****Duration: 3 hours****Max. Marks: 50****Instructions:**

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write anything on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

**Answer the following question.****Marks****Q.1 Answer *any seven* of the following questions with the help of appropriate diagrams.****(7x2  
=14)**

- Explain and give examples of perfect substitutes and perfect complimentary factors of production through the Isoquant curve approach.
- Explain the relationship between TR, AR and MR in a perfectly competitive market.
- Explain the kinked demand curve faced by an Oligopolist.
- Explain how safe would a manufacturer make his product applying the principle of MC and MR.
- Explain the significance of the long run average cost of production.
- Explain the long run production function using Isoquants to derive the principle of returns to scale.
- Explain the equilibrium of a firm with respect to selling costs.
- Explain agency game as applicable in contracts.
- Explain with the help of elasticity whether drug interdiction lead to an increase or decrease in drug-related crime?
- Explain the difference between normal goods and inferior good with help of the income elasticity.

**Q.2 Answer *any six* of the following questions with the help of appropriate diagrams.****(6x6  
=36)**

- Explain the general conditions of equilibrium in terms of TC, TR and profit maximisation.
- Explain Game theory and apply the same to an Oligopoly market.
- What are the objectives of regulating a Monopoly and How a Monopoly can be regulated by applying the Average cost and the Marginal cost principle? Explain.
- Explain the short run equilibrium of a perfect market and a monopolistic market, identifying its similarities and differences.
- Explain the equilibrium of a firm in the monopolistic market as per the Chamberlain model.
- Why and How does the monopoly practice and price discrimination? Explain.

- (g) Explain market failure and discuss how market failures are addressed by the Government?
- (h) Explain the Long run supply curve of the industry in perfect competition under different cost conditions.

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