

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: Principles of Economics
Semester-I (Batch: 2014-19)

End Term Examination: Oct-Nov. 2014



Date: 29th October, 2014

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 any thing 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.

Part-A

Answer **any eight** of the following, stating whether the statements are true or false.

Marks
(8x1=
08)

- Q.1 In Monopoly, as the price falls, total revenue rises linearly with output.
- Q.2 Mergers is a reason for the emergence of Oligopoly.
- Q.3 Nash equilibrium is rational decision making in the presence of cooperation.
- Q.4 The producer surplus is higher in monopoly than in perfect competition.
- Q.5 In the long run equilibrium of perfect market, the AC must equal price unlike the situation in the short run.
- Q.6 The low probability of detection makes crime inefficient.
- Q.7 Internalisation of an externality is attained when the marginal social benefit is greater than the marginal private benefit.
- Q.8 When the magnitude of the income effect is less than the magnitude of the substitution effect, there exists a direct relation between price and quantity demanded.
- Q.9 In case of voluntary exchange, resources move to the higher valuing owner.
- Q.10 The payoffs to the parties in the cooperative solution is called their threat value.

Part-B

Answer **any four** of the following questions in brief. (Use of diagram is mandatory.)

(4x3=
12)

- Q.11 Derive the demand curve with the help of the Price consumption curve.
- Q.12 Explain economic analysis of law as a positive and normative analysis.
- Q.13 How does the monopolist maximises profit by applying price discrimination. Explain
- Q.14 Explain efficiency of production in terms of ridge lines.
- Q.15 Explain the price effect with respect to Giffen goods.
- Q.16 Derive the rationale for the long run average cost.

Part-C

(5x6=
30)

Answer **any five** of the following questions. (Use of diagram is mandatory.)

- Q.17 What are market failures? Explain how the case of positive externalities are addressed by providing subsidies.
- Q.18 Explain the idea of efficient crimes. What ideas are expressed in evaluating efficient punishments?
- Q.19 Compare the equilibrium price and quantity with reference to a perfect market and a monopoly market in terms of the three basic concepts of efficiency?
- Q.20 Differentiate between the principles of Pareto and Kaldor Hicks to arrive at the determination of welfare. Trace out the contract curve and mention its important applications.
- Q.21 Derive an Isoquant and trace the least cost production point with the help of Isocost lines.
- Q.22 Elaborate on the study of economics as a way of thought in terms of Marginalism, incentives and rationality.
