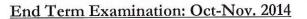
GUJARAT NATIONAL LAW UNIVERSITY **GANDHINAGAR**

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





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.

	Part-A	Marks (8x1=
	Answer any eight of the following, stating whether the statements are true or false.	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.	2
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.	
0.16	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.
