

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

Course: **Principles of Microeconomics**  
Semester- I (Batch: 2022-27)

**End Semester Examination: November 2022**

**Date: 12<sup>th</sup> Nov, 2022**

**Duration: 3 hours**

**Max. Marks: 50**

**Instructions:**

- Read the questions properly and write the answers in the given answer book.
- Do not write anything on the question paper.
- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.
- You are required to formulate your own examples.
- Illustrate diagrams wherever relevant.
- Word limit: 8 Marks: 600 words, 2 Marks: 100 words. Please adhere to the word limit with upper limit flexibility of 50 words per question.

**Part A**

**Marks**

Q.1 Mention the names of the Nobel Prize winners for Economics in 2022.

(2)

**Or**

Identify the relation between Total Product curve and Total Cost curve based on the point of Inflection.

**Part B**

**(Answer any six of the following questions)**

Q.2 Based on the equilibrium of a firm in Perfect Markets, derive the following: (8)

- a) The short run profits and losses in a firm in Perfect Markets.
- b) The process by which the long run equilibrium of the firm in Perfect Markets is established.

Q.3 Draft a policy for the Government's welfare programme of providing food security based on Ordinal Utility Analysis wherein the options of providing Food Subsidy versus providing Cash Transfer are being considered: (8)

- a) You are required to achieve the targeted welfare at least cost for the Government.
- b) You are required to increase welfare with the allocated budget for food security.
- c) You are required to ensure the health and nutrition of the vulnerable are improved.

Q.4 Answer the following: (8)

- a) Mention the stages of different schools of Economics from Mercantilism to the present economic model.
- b) Apply Cardinal Utility analysis to the Minimum Support price.

Q.5 The Government undertakes price regulation of a Monopoly and a Natural Monopoly. As a policy analyst examine the following: (8)

- a) The impact of Average Cost pricing and Marginal Cost pricing on the Monopoly.

- b) The impact of Average Cost pricing and Marginal Cost pricing on a Natural Monopoly.
- Q.6 Based on the Kinked demand curve in an Oligopoly market answer the following: (8)
- a) The features of an Oligopoly market that leads to the Kinked demand curve.
  - b) The incentives to the players in an Oligopoly market towards price rigidity.
  - c) The role of Marginal Cost in stickiness of prices in an Oligopoly market.
- Q.7 Draft a legislation to minimize theft by applying the Cardinal Utility principle. The draft should be based on the economic concepts of: (8)
- a) The Demand and Supply of legislation.
  - b) The Cost and Benefit of the legislation.
  - c) The optimum level of enforcement of the legislation.
- Q.8 Derive and explain the significance of the Long Run Average cost curve based on: (8)
- a) The LAC as a decision-making tool for the producers.
  - b) The relation between Short Run Average Cost and Long Run Average Cost.
  - c) The relation between Short Run Marginal Cost and Long Run Marginal Cost.
- Q.9 Explain the following: (8)
- a) According to Slutsky, derive and explain the price effect for an Inferior good and Giffin good.
  - b) The Incentive Analysis, based on an example demonstrating impact on the decision of an individual in a market and non-market situation.
- Q.10 Based on the Long run Production function: (8)
- a) Numerically identify the Least Cost point of production.
  - b) Examine the relevance of Right Angled Isoquants.

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