



UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

FACULTY OF COMMERCE & MANAGEMENT STUDIES

Bachelor of Commerce (Special) Degree First Year Examination (External) – 2015

March/ April 2021

BCOM E1025 – Microeconomics

No. of questions: Six (06)

Time: 03 hours

Answer any five (05) questions.

Question No. 01

- a). “Scarcity is fundamentally the most important concept in economics, upon which all of the rest of the discipline rests”.

Do you agree with this statement? Give reasons for your answer.

(08 Marks)

- b). Explain the difference between Microeconomics and Macroeconomics.

(07 Marks)

- c). What are the basic economic problems of an economy?

(05 Marks)

(Total 20 marks)

Question No. 02

- a). Explain why demand curve slope downwards to the right?

(05 Marks)

- b). Briefly list and explain on the factors that will be affecting the demand for the following products in the next several years.

- i). Camera
- ii). Fax machine
- iii). Desktop computers
- iv). Hotel rooms

(03 marks for each)

- c). Suppose demand function is given as $Q_d = 80,000 - 15,000p$ and a supply function is given as $Q_s = 40,000p$.

Calculate equilibrium price and quantity.

(03 Marks)
(Total 20 marks)

Question No. 03

- a). “Iso-product and Iso-cost curves explain how a producer minimizes his cost of production for a given level of output”. Explain this statement.

(05 Marks)

- b). Explain the relationship between a firm’s short run production function and long run production function.

(05 Marks)

- c). Suppose a production schedule is given as follows.

Number of workers (L)	Total product (TP _L) (Tonnes)	Marginal product (MP _L)	Average product (AP _L)
1	6		
2	12		
3	20		
4	25		

Complete the table.

(05 Marks)

- d). Why can we expect marginal product to equal average product at average product’s maximum point?

(05 Marks)
(Total 20 Marks)

Question No. 04

- a). i). Explain the main properties of an indifference curve for two normal goods.

(05 Marks)

- ii). “It is generally believed that income tax of a certain amount imposes a lower welfare cost on the tax payer than excise duty or sales tax of the same amount”. Do you agree with this statement? Do you agree with this statement? Explain your answer.

(05 Marks)

b). Suppose a demand schedule is given as follow;

Price(Rs)	12	10	8	6	4
Quantity	20	70	120	170	230

- i). Find the elasticity for the fall in price from Rs. 6 to 4.
- ii). Calculate the elasticity for the increase in price from Rs. 10 to 12.

(04 Marks)

c). Would you expect the cross elasticity coefficients between each of the following pairs of products to be positive or negative? Describe why?

- i). Desktop computers and software
- ii). Tea and Coffee.

(06 Marks)

(Total 20 Marks)

Question No. 05

a). i). How price and output of a commodity are determined under monopoly?

(05 marks)

ii). "Under perfect competition the seller is the price taker not the price maker". Explain this statement.

(07 Marks)

b). "Monopolistic competition is the middle ground between perfect competition and monopoly". Do you agree with this statement? Give reasons in support of your answer.

(08 Marks)

(Total 20 Marks)

Question No. 06

Write short notes **on** following.

- a). Marginal cost
- b). Point Elasticity
- c). Opportunity cost.
- d). Producer's surplus

(05 Marks each)

(Total 20 Marks)

