

Punjab University
Annual Examinations
2007

M.A./M.Sc

PART I - ECONOMICS

Paper I - Micro Economics Theory (New Course)

Time Allowed: 3 Hrs

Max Marks: 100

(1) Attempt any four questions. All questions carry equal marks.

(2) Students must follow the English version of the question paper. Urdu translation is provided only for additional help to understand the question.

- 1. (a)** Prove with the help of diagram that Slutsky Price Effect = Substitution Effect + Income Effect in case of Giffen Commodity.
- (b)** Explain Law of decreasing return to Scale.
- 2. (a)** How can we draw cost curves of a firm from Production Curves (Function) with the help of diagrams.
- (b)** Explain the concept of Bilateral Monopoly.
- 3.** Elaborate Engineering Cost Theory of production in short and in long periods?
- 4.** Explain Paul Sweezy model of non-collusive oligopoly?
- 5.** Explain three marginal conditions of Pareto Optimality of social welfare in relation to perfect competition in the market.
- 6.** Derive Demand Curve of a firm about one variable factor (L) with the help of diagrams and mathematics when there is perfect competition in both markets?
- 7.** Write comprehensive notes on any two of the followings:
 - (a)** Production Possibility Curves.
 - (b)** Nash Equilibrium.
 - (c)** Externalities

2008

1. (a) How we can derive demand curve of the consumer with the help of Prof. Samuelson's view related In Consumer behaviour? Explain
(b) Explain mathematically the proof of MRS.
2. (a) Explain the effect of Price Increase .on Consumer's equilibrium position in Case of Giffen commodity with the help of a diagram.
(b) How many Units of Labour and Capital will be employed by the firm in the maximization of output subject to cost constraints when basic information is given as:

$$\text{Production Function : } Q = 10 LK$$

$$\text{Cost Function : } C = 10 K + 50L = 500$$

3. (a) Compare monopoly situation with perfect competition.
(b) Derive equilibrium in case of Price Discrimination in two different markets by the monopolist firm from the following equations:

$$P = 100 - 2Q$$

$$Q_1 = 32 - 0.4P_1$$

$$Q_2 = 18 - 0.1P_2$$

$$C = 50 + 40Q$$

4. (a) Explain Prof. Bentham's criteria of social welfare?
(b) Explain Dominant Firm Price Leadership model of oligopoly?
5. How short run costs curves help in the derivation of average Cost and marginal Cost curves related to long period? Explain with the help of suitable diagram.
6. Derive both positively and negatively sloped supply curve of an individual worker by using indifference Curve analysis?
7. Write comprehensive notes on any two of the following:
- (a) Multiplant Monopoly
 - (b) Derivation of Contract Curve
 - (c) Main causes of market failure

2009

1. (a) Derive mathematically Consumers' equilibrium position in the light of ordinal approach.
(b) Briefly explained Revealed Preference Theory of Prof. Samuelson Paul.
2. (a) How we can derive Cost Function with the help of Production Function of the Firm?
(b) Prove mathematically the case of the minimization of Cost for producing a particular level of output.
3. 'Kinked demand curve plays vital role in the price and output determination in Sweezy model of oligopoly'. Critically Explain.
4. (a) Differentiate between VMP_1 and MRP_1 , with the help of suitable schedule and diagram.
(b) How negatively sloped supply curve of labour is derived?
5. (a) Explain Laws of decreasing an increasing returns to scale.
(b) How much units of X and Y commodities the consumer should consume for attaining equilibrium when Utility Function and Budget constraints equation arc given as:
$$U = X^{0.6}Y^{0.25} \quad \text{(Utility Function)}$$
$$8X + 5Y = 680 \quad \text{(Budget Constraint)}$$
6. "Social Welfare is maximized at Bliss Point". Explain with the help of suitable diagrams
7. Explain any two of the following:
 - (a) Constant elasticity of substitution
 - (b) Production Possibility Curve
 - (c) External economics and external diseconomies

2010

1. a) Suppose the price of Inferior Commodity decreases, what will be the effect on Mr. Haroon's equilibrium position. Explain with the help of diagram.

b) A consumer is in equilibrium at that point, where budget line is tangent to the highest possible indifference curve. Explain both diagrammatically and mathematically?

2. a) How does monopolistic Competition differ from Pure Competition in its basic characteristics?

b) Find out Consumer's equilibrium position related to X and Y commodities when Utility Functions of both commodities and other information is given as below

$$U_X = 40X - X^2$$

$$U_Y = 20Y - 2Y^2$$

$$P_X = 4, P_Y = 2 \text{ and } M = 24 \text{ (Budget)}$$

3. a) Explain the concept of Marginal Rate of Technical Substitution, and how it is derived mathematically?

b) Explain Cournot Model of Duopoly with the help of reaction curves.

4. a) How long Period Average cost and Marginal cost curves are derived with the help of short Period cost curves?

b) Explain the concept of Bilateral Monopoly with the help of diagram.

5. Elucidate the salient features of Cobb-Douglas Production Function.

6. How we can derive Demand curve for labour by a monopolist Firm, when firm is employing a single variable factor both diagrammatically and mathematically?

7. Explain any two of the following:

(a) Expansion Path

(b) Nash Equilibrium

(c) Perfect Competition and Pareto optimality