FYAF

MN10 AGF

TIME : 2 Hrs **MARKS : 60**

NOTE : 1. All the questions are compulsory.
2. Figures to the right indicate full marks.
3. Use of simple calculator is allowed.

Q.1 A. State whether the following statements are true or false. **(5)**

a. Variable cost does not vary with the level of output.

b. Economies of scale lead to reduction in cost of production.

c. Selling cost is a unique feature of monopolistic competition.

d. Demand forecast is an estimation of demand for the product for the past period.

e. When price is less than MU consumer surplus is positive.

B. Fill in the blanks. **(5)**

a. Under _________ price = AR = MR.

b. When demand is perfectly inelastic, the demand curve will be a _________ straight line.

c. The law of returns to scale explain the _________ production function.

d. Price discrimination exists only in a _________ market.

e. The firm maximises its _________ at the level of output where the difference between TR and TC is maximum.

C. Calculate cross elasticity of demand from the following data. State the nature of commodities. **(5)**

Commodity	Initial Price	Initial Quantity	New Price	New Quantity
X	12	4	12	5
Y	10	5	12	4

Q.2 A. What is price elasticity of demand? Explain with suitable diagrams the different types of price elasticity of demand. **(8)**

B. Explain the features of monopolistic competition in detail. **(7)**

OR

Q.2 A. Explain the types of internal economies of scale. **(8)**

B. Explain the relationship between TR, AR and MR under monopoly **(7)**

Q.3 A. Define TC, TVC, TFC, AFC, AVC, AC and MC. Bring out the relationship between AFC, AVC, AC and MC with the help of a diagram. **(8)**

B. Explain the total outlay method of measuring elasticity of demand. **(7)**

B. Explain in detail with the help of an example and a diagram the concept of production possibility curve. **(7)**

Q.4 Write notes on: **(15)**

a. Fixed cost and variable cost.

b. Determinants of supply.

c. LAC curve.

OR

Q.4 Write notes on: **(15)**

a. Long run equilibrium of a firm under perfect competition with normal profit.

b. Consumer surplus.

c. Exceptions to the law of demand.

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