



SOUTH EASTERN UNIVERSITY OF SRI LANKA

**SECOND YEAR EXAMINATION IN BACHELOR OF ARTS (EXTERNAL) - 2009 / 2010
HELD IN DECEMBER - 2010**

ECS 2.11 – INTERMEDIATE MICROECONOMICS

Answer any **five** questions only.

Time : 03 Hours

01 a. Derive the demand curve of a good using marginal utility approach. (08 Marks)

b. Briefly explain the following concepts using appropriate diagrams.

- Price Consumption Curve (PCC)
- Income Conception Curve (ICC)
- Marginal Rate of Substitution (MRS)
- Consumer equilibrium in the Indifference curve analysis

(12 Marks)

02. a. Given the total cost function $TC = Q^3 - 6Q^2 + 140Q + 750$, and Total revenue function $TR = 1400Q - 7.5Q^2$ find out the following.

- Average Cost Function
- Marginal Cost Function
- Marginal Revenue Function
- Equilibrium Level of Production
- Maximum Profit

(05 Marks)

b. Briefly explain the following costs of the production

- Accounting cost
- Opportunity cost
- Economic cost
- Social cost
- Fixed cost

(15 Marks)

03. a. What is meant by scale of production? Explain the various types of scales of production using ISO quant curves. (08 Marks)
- b. Explain the following using appropriate diagrams.
- Ridge lines
 - Marginal Rate of Technical substitute (MRTS)
 - Equilibrium level of production
- (12 Marks)
04. a. 'A perfectly competitive firm earns only normal profit in the long run'. Proof your answer. (06 Marks)
- b. How do you derive the AR curve for a monopoly firm? (06 Marks)
- c. Must monopoly firm earn abnormal profit in the short run? Explain your answer briefly. (08 Marks)
05. a. When is the price discrimination possible? Describe. (08 Marks)
- b. Distinguish between first, second and third degree of price discrimination giving appropriate examples. (12 Marks)
06. a. Bring out the features of Monopolistic competition market. (06 Marks)
- b. Explain the role of advertisement in the monopolistic market. (06 Marks)
- c. Briefly explain about Chamberlin's model of monopolistic competition. (08 Marks)

07. a. What is meant by Oligopoly Market? (05 Marks)
- b. Indicate how the Kinked demand analysis provides theoretical justification for price stability of oligopoly market (15 Marks)

08. Give short notes for the following.

- a. Income effect and Substitution effect
 - b. Short run average cost and Long run average cost
 - c. Properties of Indifference Curves
 - d. Marginal Revenue Product of labour
- (20 Marks)

Given the total cost function $TC = Q^3 - 6Q^2 + 140Q + 750$, and Total revenue function $TR = 140Q - 7.5Q^2$ find out the following

- * Average Cost Function
- * Marginal Cost Function
- * Marginal Revenue Function
- * Equilibrium Level of Production
- * Maximum Profit

(05 Marks)

Briefly explain the following costs of the production

- * Accounting cost
- * Opportunity cost
- * Economic cost
- * Social cost
- * Fixed cost

(15 Marks)