

TEST -3

Principles of Microeconomics-1

GE(H) Semester 1

MM: 12

Timing: 1hr

Date : 29 November 2023

Instruction

- All questions are to be solved.
- Use graphs and equation if required
- Each Question consists of 6 marks.
- All the best

Question 1. Define the term “Price Flooring”. Explain why we expect housing shortage to be more in the long run than in the short run if government imposes a binding rent control. Use diagram to explain.

Question 2. Define Marginal rate of substitution. How does consumer obtain its objective of utility maximization. Using Consumer theory analysis of utility maximization derive consumer’s demand curve. Do all the slopes of demand curve downward ? Explain using diagram.

OR

Question 1. Explain the iso quant curve with its various properties. Also explain how does a firm solve the cost minimization problem. Use graph to explain.

Question 2. Draw AVC, AC and MC curve in short run. Why the shape of each curve is U Shaped ? Also explain the relationship between MC and AC.



