



ශාස්ත්‍රවේදී උපාධි (බාහිර - නව නිර්දේශය) පරීක්ෂණය 200 මට්ටම - දෙසැම්බර් - 2022  
 இளங்கலைமாணிப் பட்ட பரீட்சை (வெளிவாரி-புதிய பாடத்திட்டம்) 200 வது தேர்ச்சி மட்டம் - டிசம்பர் 2022  
 Bachelor of Arts (External - New Syllabus) Examination 200 Level – December - 2022

## MICROECONOMIC THEORY (ECNE 201)

කාලය 03 තුනයි.  
 மூன்று (03) மணித்தியாலங்கள்  
 Time three (03) Hours.

ප 'රයින් ----- ට පිළිතුරු සපයන්න'  
 வினாக்களுக்கு மட்டும் விடையளிக்க.  
 Answer five (05) questions only.

තොපැහැදිලි අත් අකුරුවලට ලකුණු කපනු ලැබේ.  
 எழுத்து தெளிவில்லாதவிடத்து புள்ளிகள் குறைக்கப்படும்.  
 Marks will be deducted for illegible hand writing.

මෙම ප 'රයින් ප්‍රශ්න අටයේ අඩංගු ප 'රයින් සංඛ්‍යාව----- කී  
 இந்த வினாப்பத்திரத்தில் ----- வினாக்கள் உள்ளன.  
 There are seven (07) questions in the question paper.

1. i. What is meant by an indifference curve? (04 Marks)
- ii. Why is an indifference curve of two normal goods downward sloping and convex to the origin? (06 Marks)
- iii. Using a diagram, explain the concept of budget constrain. (04 Marks)
- iv. What is meant by consumer's equilibrium? What are the conditions for consumer's equilibrium in ordinal utility approach? (06 Marks)
2. i. What is the difference between short-run production and long-run production function? (04 Marks)
- ii. Graphically show the different stages of production of a firm in the short run. Explain the basic characteristics of each stage. (06 Marks)
- iii. Explain the laws of returns to variable proportions when production with one variable input. (05 Marks)
- iv. What are the properties of isoquants? Illustrate your answer with appropriate diagrams. (05 Marks)
3. i. What is the basic difference between the traditional and modern theory of cost? (04 Marks)
- ii. Why do firms under the modern theory of cost choose a machinery set with built-in reserve capacity? (05 Marks)
- iii. Suppose the cost function of a firm is given as  

$$TC = 6 + 3Q - 0.6Q^2 + 0.02Q^3$$
  - a. Find the average cost (AC) function. (03 Marks)
  - b. Find the marginal cost (MC) function. (04 Marks)
  - c. If the firm produces 100 units of output (Q) what is the average variable cost (AVC) and average cost (AC). (04 Marks)

4. i. What are the basic assumptions of a perfect competitive market? (05 Marks)  
 ii. In a perfect competitive market, why does a firm consider as a price taker? (05 Marks)  
 iii. How the short run supply curve of a firm is derived under perfect competition? (05 Marks)  
 iv. "Every firm earns economic profit in short run in perfect competitive market". Comment on this statement. (05 Marks)
5. i. What are the factors which lead to monopoly power? (03 Marks)  
 ii. Compare the capacity utilization of a monopolist firm with that of a perfectly competitive firm. (05 Marks)  
 iii. A monopoly firm may earn normal or abnormal profit or incur losses in the short-run." Do you agree with this statement? Explain you answer. (04 Marks)  
 iv. Consider the following demand and cost function of a monopolistic firm.  
 $P=130-0.5Q$        $MC = 2Q+10$
- a. Find the output level and price that maximize the monopolistic firm's profit. (04 Marks)  
 b. Find the profit of the monopolistic firm. (04 Marks)
6. i. Explain the key characteristics of monopolistic competitive market. (04 Marks)  
 ii. What is meant by product differentiation? What role does it play in the determination of price and output of a monopolistic competitive firm? (06 Marks)  
 iii. Distinguish between selling cost and production cost of a firm. (04 Marks)  
 iv. Explain the optimum level of advertising expenditure cost of a firm. (06 Marks)
7. Distinguish between the following concepts
- i. Substitution Effect and Income Effect  
 ii. Marginal Revenue of Product (MRP) and Value of Marginal Product (VMP)  
 iii. Income Consumption Curve and Price Consumption Curve  
 iv. Isocost Line and Budget Line

(5 Marks each )