2014

ECONOMICS

(Major)

Paper: 1.1

(Microeconomics—I)

Full Marks: 80

Time: 3 hours

The figures in the margin indicate full marks for the questions

1. (a) Choose the correct option: 1×5=5

(i) Economic problem is basically related to

(1) development and under-development

(2) scarcity and choice

(3) poverty and exploitation

(4) income and expenditure

(ii) For a luxury, the income elasticity of demand for the good is

(1) equal to one

(2) less than one

(3) greater than one

(4) None of the above
(iii) When total product is maximum, marginal product is

(1) zero
(2) positive
(3) negative
(4) None of the above

(iv) All the inputs are increased by 5% and as a result output increases by 7%. It is a situation of

(1) returns to a factor
(2) constant returns to scale
(3) decreasing returns to scale
(4) increasing returns to scale

(v) When price of a good increases from ₹ 10 to ₹ 20, demand falls from 15 units to 5 units. The price elasticity of demand for the good is

(1) one
(2) less than one
(3) greater than one
(4) zero

(b) Which of the following statements is true?

(i) All inferior goods are Giffen goods.
(ii) All Giffen goods are inferior goods.

(c) State the Engel's law.

(d) Define an isoquant.

(e) Can there be fixed cost in the long run?

(f) What is cross elasticity of demand?

2. Answer the following questions : 2×5=10

(a) What is comparative statics?

(b) What is substitution effect of a price change?

(c) Define marginal rate of technical substitution of labour for capital.

(d) What is opportunity cost of production?

(e) Mention the relationship between AR and MR with diagram.
3. Answer the following questions (any four):

(a) Distinguish between stable and unstable equilibrium.

(b) Mention the assumptions of indifference curve analysis.

(c) Briefly explain the concept of consumer's surplus.

(d) Differentiate between economies and diseconomies of scale.

(e) What is factor elasticity of substitution? Explain briefly.

(f) Explain the concepts of Total Revenue (TR), Average Revenue (AR) and Marginal Revenue (MR).

4. Answer the following questions (any four):

(a) Discuss some basic market models indicating whether they work through the market or interfere with the market.

(b) Discuss how a consumer attains equilibrium with the help of indifference curve analysis.

(c) Discuss how demand curve can be derived from the price consumption curve.

(d) Discuss how price effect can be decomposed into income effect and substitution effect by the Hicksian method.

(e) Discuss the properties of isoquants with diagrams.

(f) Derive long-run average cost curve from short-run average cost curves. Draw the long-run average cost curve under constant returns to scale.

(g) Discuss the law of variable proportions. Is the law of diminishing return a special case of this law?

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