1 SEM TDC ECO M 1

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(November)

ECONOMICS

(Major)

Course : 101

(**Microeconomics—I**)

Full Marks : 80

Pass Marks : 32 (Backlog) / 24 (2014 onwards)

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer the following/Choose the correct answer : 1×8=8

   (a) Which of the following statements is true?

   (i) If price elasticity = 1, MR = 0

   (ii) If price elasticity > 1, MR > 0

   (iii) If price elasticity < 1, MR < 0

   (iv) All of the above

(*Turn Over*)

(b) An upward shift in the demand curve for a product is caused by which of the following?

    (i) Decrease in the price of the product

    (ii) Increase in consumer's income

    (iii) Fall in the price of substitutes

    (iv) None of the above

(c) Cardinal utility approach assumes that

    (i) MU of money is variable

    (ii) MU of money remains constant

    (iii) MU of money is greater than commodity utility

    (iv) None of the above

                              (Continued)

(d) Each point on an indifference curve shows

    (i) different combinations of goods and different levels of utility

    (ii) the same combinations and the same utility

    (iii) different combinations and the same utility

    (iv) None of the above

(e) Mention two sources of internal diseconomies.

(f) What is reserve capacity?

(g) State one factor causing increasing returns to scale.

         (Turn Over)

(h) Which of the following holds when total output is maximum?

   (i) $AP_L > MP_L$

   (ii) $AP_L = MP_L$

   (iii) $AP_L < MP_L$

   (iv) None of the above

2. Write short notes on any *four* of the following (**within 150 words** each) : 4×4=16

(a) Point elasticity of demand

(b) Critique of the indifference curve analysis

(c) The expansion path of a firm

(d) Private cost and social cost

(e) Isoquants of perfect substitutes and complements

(Continued)

Answer the following questions (**within 500 words each**) :

3. *(a)* Explain with appropriate diagrams, the different types of microeconomic analysis. 3+4+4=11

Or

(b) Explain the law of supply through a supply schedule and a supply curve. What factors cause a rightward shift in the supply curve? 7+4=11

4. *(a)* Discuss the law of diminishing marginal utility with appropriate diagrams. Also state the assumptions and limitations of the law. 6+5=11

Or

(b) Explain why—

(i) an indifference curve for two normal goods is convex to the origin;

(ii) a consumer chooses a market basket so that marginal rate of substitution (MRS) equals to price ratio. 5+6=11

5. (a) What is Engel curve? Illustrate graphically the derivation of Engel curves. When does it tend to bend backward? 2+6+3=11

Or

(b) Explain with appropriate diagrams, the different shapes of price consumption curves. Prepare a demand curve on the basis of the price consumption curve (PCC). 7+4=11

6. (a) Show how are the laws of return to scale different from the laws of variable proportion with the help of isoquants. 11

Or

(b) Find the conditions that a firm must fulfil (i) to maximise output subject to a cost constraint and (ii) to minimise cost for a given level of output. 6+5=11

(*Continued*)

7. *(a)* Describe the relationship among the following :

   (i) TC, TVC and TFC

   (ii) AC, AVC and AFC

   Why is the AFC curve negatively sloped?

                                (5+5)+2=12

Or

(b) Explain with an illustration how average cost of production of a firm will be influenced by a change in the scale of production. What are the factors that cause decreasing return to scale?   9+3=12

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