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(November)

ECONOMICS

(Major)

Course : 101

(**Microeconomics—I**)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Choose the correct answer : 1×8=8

(a) If a 3 percent increase in the price of a commodity causes a 6 percent decline in the quantity demanded of it, what is the elasticity of demand?

(i) Perfectly elastic

(ii) Inelastic

(iii) Elastic

(iv) Unit elastic

- (b) The consumer will be in equilibrium where there is tangency between price line and indifference curve because at equilibrium point his MRS
- (i) is equal to its price ratio
 - (ii) is falling
 - (iii) and price ratios are inversely related
 - (iv) is greater than the price
- (c) The cross-elasticity of demand between petrol and automobile is
- (i) negative
 - (ii) zero
 - (iii) positive
 - (iv) infinite
- (d) Which one of the following will not change the equilibrium price?
- (i) Increase in demand
 - (ii) Decrease in demand
 - (iii) Increase in demand and equal increase in supply
 - (iv) Increase in demand and equal decrease in supply

(e) The Engel curve for an inferior good

(i) slopes upward

(ii) slopes downward

(iii) is a horizontal line

(iv) None of the above

(f) The shape of isoquants may be

(i) convex

(ii) linear

(iii) L-shaped

(iv) Any one of the above

(g) When marginal product is negative, total product

(i) rises

(ii) declines

(iii) is negative

(iv) None of the above

(h) The marginal cost curve intersects the average cost curve, where average cost is

(i) maximum

(ii) minimum

(iii) rising

(iv) falling

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

4×4=16

(a) Point elasticity and Arc elasticity

(b) Ridge lines

(c) Fixed cost and Variable cost

(d) Marginal rate of technical substitution

(e) The law of equi-marginal utility

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

3. (a) What are microstatics and micro-dynamics? Distinguish between the two approaches.

5+6=11

Or

(b) What is price elasticity of demand? Mention the factors on which elasticity of demand depends.

2+9=11

4. (a) Compare and contrast between the cardinal utility approach and the indifference curve approach of the theory of consumer's behaviour. Which one do you consider superior? Justify your answer. 9+2=11

Or

- (b) Explain why—

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

(ii) two indifference curves cannot cut each other. 6+5=11

5. (a) Using indifference curve analysis, show how price effect of a commodity is decomposed into income effect and substitution effect. 12

Or

- (b) What is an Engel curve? Explain the derivation of an Engel curve from an income-consumption curve. 2+10=12

6. (a) Explain the laws of returns to scale. 11

Or

- (b) What is the difference between a production function and an isoquant? Explain the law of variable proportions with the help of isoquants. 3+8=11

7. (a) "Short-run average cost curve is relatively more U-shaped than a long-run average cost curve." Justify.

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Or

- (b) Draw the short-run and long-run average and marginal cost curves and explain their relationship.
