1 SEM TDC ECO M 1

2 0 1 4

(November)

ECONOMICS

(Major)

Course : 101

(Microeconomics—I)

Full Marks : 80

Pass Marks : 32 (Backlog) / 24 (2014–15 Session)

Time : 3 hours

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

1. Choose the correct/most appropriate answer
    of the following :   1×8=8

    (a) Which one of the following statements is
         not correct?

         (i) A normal good has a positive
              income elasticity of demand

         (ii) An inferior good has a negative
              income elasticity of demand

         (iii) A necessity has an income elasticity
              of demand that is less than one

         (iv) A luxury good has an income
              elasticity of demand that is equal
              to one

(*Turn Over*)

(b) If two demand curves intersect, then at the point of intersection

   (i) they are equally elastic

   (ii) the steeper curve is more elastic

   (iii) the flatter curve is more elastic

   (iv) their elasticity cannot be compared

(c) The additivity of utility in the Marshallian analysis is based on the assumptions of

   (i) rationality and diminishing marginal utility

   (ii) cardinality and independence of utility

   (iii) consistency and transitivity

   (iv) None of the above

(d) In the case of an inferior good

   (i) substitution and income effects are positive

   (ii) positive substitution effect is equal to the negative income effect

   (iii) substitution effect is positive and income effect is negative

   (iv) substitution and income effects are negative

(**3**)

(e) If two factors are perfect substitutes, the isoquant will be

    (i) a straight line

    (ii) a rectangular hyperbola

    (iii) an L-shaped curve

    (iv) All of the above

(f) Ridge line refers to the locus of points of isoquants

    (i) where marginal product of one of the factors is zero

    (ii) where marginal product of two factors is zero

    (iii) where marginal product of two factors is infinity

    (iv) where marginal product of two factors is one

(g) Marginal revenue will be zero if elasticity of demand is

    (i) less than one

    (ii) equal to one

    (iii) greater than one

    (iv) zero

(h) Which one of the following gives the correct relationship between MC and AC curves?

    (i) When the AC curve is falling, the MC curve is above it

    (ii) When both the AC and MC curves are rising, the MC curve rises slowly than the AC curve

    (iii) If the AC curve is U-shaped, then the corresponding MC curve cuts the AC curve at the minimum point

    (iv) None of the above

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

(a) Price elasticity of demand and supply

(b) Assumptions of the indifference curve

(c) Distinction between normal goods and Giffen goods

(d) Isoquants

(e) Short-run cost curves and their inter-relationship

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

3. (a) Define microeconomics and macro-economics. Explain the scope of microeconomic analysis. 4+7=11

Or

(b) Explain with examples the relationship among price, elasticity of demand, total revenue and marginal revenue. 11

4. (a) Write the meaning of consumers' equilibrium. Show, with the help of utility analysis, how a consumer attains equilibrium. 4+8=12

Or

(b) Write a critical note on the cardinal and ordinal (indifference curve) approaches to demand analysis. 6+6=12

5. *(a)* Write the meaning of 'Engel curve'. Explain the derivation of an Engel curve from an income-consumption curve. When does it tend to bend backward?

$$2+8+1=11$$

Or

(b) Give one example each of normal and Giffen goods. Explain the income effect in case of normal and Giffen goods.

$$2+9=11$$

6. *(a)* Explain the law of variable proportions with the help of a diagram. In which phase of law of variable proportions, a rational firm aims to operate? $9+2=11$

Or

(b) Write the meaning of 'optimal combination' of factors of production. Explain with the help of isoquant and isocost lines the equilibrium of a firm (write *either* 'output maximisation' *or* 'cost minimisation' method). $4+7=11$

7. *(a)* How is the LAC curve derived from a set of short-run AC curves? Why is LAC curve U-shaped? $7+4=11$

(*Continued*)

Or

(b) Write the meaning of economies and diseconomies of scale. Analyse the different types of internal and external economies and diseconomies.   3+4+4=11

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