3 SEM TDC ECOH (CBCS) C 5

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(Held in January/February, 2022)

ECONOMICS

(Core)

Paper : C–5

(Essentials of Microeconomics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks
for the questions

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

   (a) The slope of an indifference curve at any point denotes

      (i) the marginal significance of one goods in terms of the other

      (ii) the combination of the goods

      (iii) the maximum satisfaction

      (iv) the minimum satisfaction

(Turn Over)

(b) The movement of a consumer's budget line, on an indifference map, to a parallel position to the right indicates that

   (i) the price of one goods has fallen

   (ii) the consumers' taste for each goods has increased

   (iii) there has been a change in his marginal preferences

   (iv) the consumers' income has increased

(c) Slutsky equation deals with decomposition of

   (i) goods into superior and inferior goods

   (ii) price effect into substitution and income effects

   (iii) goods into necessaries and luxuries

   (iv) goods into high-priced and low-priced goods

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

    (i) a parabola

    (ii) a straight line

    (iii) a rectangular hyperbola

    (iv) an L-shaped curve

(e) Write an example of social cost.

(f) Write an example of Giffen goods.

(g) Under perfect competition (when input prices are fixed and there are no external economies or diseconomies), the industry supply curve is derived by

    (i) vertically adding the AC curves

    (ii) horizontally adding the AC curves

    (iii) vertically adding the MC curves

    (iv) horizontally adding the MC curves

(Turn Over)

(**4**)

(h) Which one of the following assumptions is not correct for the revealed preference analysis?

    (i) Consistency

    (ii) Transitivity

    (iii) Rationality

    (iv) Weak ordering

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

  (a) Preference and utility

  (b) Inter-temporal choice

  (c) Properties of isoquants

  (d) Cost functions

  (e) Perfect competition vs. Pure competition

     (Continued)

Answer the following questions :

3. *(a)* Write the meaning of 'utility maximisation'. Explain graphically the process of utility maximisation for the two-goods case. 4+8=12

Or

(b) Write the utility functions. Explain the indirect utility functions. What are the differences between direct and indirect utility functions? 2+6+4=12

4. *(a)* Write the meaning and differences between compensated and ordinary demand curves. Explain the Slutsky equation. 4+7=11

Or

(b) Discuss the essence of the theory of choice under risk and uncertainty. 11

5. *(a)* What is the law of returns to scale? Discuss increasing, constant and decreasing returns to scale with the help of isoquant curve. 3+8=11

Or

(b) Define expansion path. Discuss how it can be derived with the help of budget line and isoproduct curve.   2+9=11

6. (a) Illustrate how long-run average cost curve is derived from a set of short-run average cost curves. Discuss how economies and diseconomies of scale determine the shape of the LAC curve.

5+6=11

Or

(b) Write short notes on the following cost concepts :   3+3+3+2=11

   (i)   Money costs and real costs

   (ii) Explicit costs and implicit costs

   (iii) Fixed cost and variable cost

   (iv) Opportunity costs

7. (a) (i) Explain the profit maximisation rule under perfect competition.   4

      (ii) Define profit function. What are its properties?   2+5=7

(Continued)

Or

(b) Analyse the essential difference in the
nature of equilibrium of a firm under
perfect competition in the short run and
in the long run with diagrams.   11

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