2 0 1 8

(November)

ECONOMICS

(Major)

Course : 101

(Microeconomics—I)

Full Marks : 80
Pass Marks : 32/24

Time : 3 hours

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

1. Answer the following as directed : 1×8=8

    (a) How is price elasticity related to a vertical straight line demand curve?

    (b) If a farmer grows rice and wheat, how will an increase in the price of wheat affect the supply curve of rice?

    (c) Why does the budget line slope downward?

    (d) What is the impact of diminishing marginal rate of substitution on the slope of indifference curve?

(*Turn Over*)

(e) What will happen to MP, when TP increases at an increasing rate?

   (i) MP will fall

   (ii) MP will rise

   (iii) MP attains maximum

   (iv) MP remains constant

                 (Choose the correct option)

(f) What are the general shapes of the TP, AP and MP curves?

   (i) Downward sloping

   (ii) Upward sloping

   (iii) U-shaped

   (iv) Inversely U-shaped

                 (Choose the correct option)

(g) Why AC and AVC curves cannot touch each other?

(h) The average cost is constant and at its minimum, when

   (i) AC = MC

   (ii) AC > MC

   (iii) AC < MC

   (iv) All of the above

                 (Choose the correct option)

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

(a) Cross elasticity of demand

(b) Properties of indifference curve

(c) Price consumption curve

(d) Marginal rate of technical substitution

(e) Difference between economies of scale and economies of scope

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

3. (a) What is microeconomics? Explain the following using suitable diagrams :

2+3+3+4=12

(i) Microstatics

(ii) Microcomparative statics

(iii) Microdynamics

Or

(b) (i) Examine the role of assumptions in model-building. 5

(ii) The ratio of elasticity of supply of commodities A and B is $1:1\cdot5$. 20 percent fall in price of A results in a 40 percent fall in its supply. Calculate the percentage increase in supply of B if its price rises from ₹10 per unit to ₹11 per unit. 7

4. (a) Explain the law of equimarginal utility. How does it explain consumer's equilibrium? 7+4=11

Or

(b) Distinguish between cardinal utility and ordinal utility. Which of them is superior? Give reasons. 6+5=11

(Continued)

5. *(a)* With the help of indifference curve analysis, derive the demand curve for *(i)* a normal good and *(ii)* a Giffen good. Explain their shapes. 6+5=11

Or

(b) What is an income consumption curve? How is Engel curve derived from income consumption curve in case of *(i)* necessaries and *(ii)* luxuries? 3+4+4=11

6. *(a)* *(i)* State and explain the law of variable proportions. 7

(ii) Discuss the conditions for least cost combination of inputs. 4

Or

(b) *(i)* Define production function. Also discuss the types and uses of production function. 2+2+2=6

(ii) Discuss the factors contributing to increasing returns to scale. 5

7. *(a)* Discuss with suitable diagrams, the short-run cost curves and their interrelationships. 11

Or

(b) Define long-run average cost (LAC). How is the LAC curve derived from a set of short-run average cost curves? Also discuss how economies and diseconomies scale determine the shape of the LAC curve. 2+5+4=11

★★★