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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 of the following :

1×8=8

(a) Which of the following is not a subject matter of microeconomics?

(i) Price of a commodity

(ii) Price of a factor

(iii) Change in the price level of an economy

(iv) Production behaviour of a firm

- (b) Total revenue is maximum when price elasticity of demand of a commodity is
- (i) equal to one
 - (ii) equal to zero
 - (iii) greater than one
 - (iv) less than one
- (c) Which of the following is not a characteristic of cardinal measurement of utility?
- (i) Utility can be expressed in number
 - (ii) Utility derived from different units of consumption can be summed up
 - (iii) Utility derived from different combinations of commodities is ordered as per rank
 - (iv) It is free of the problem of value judgement
- (d) The substitution effect can be measured holding
- (i) income
 - (ii) utility
 - (iii) the price of one good
 - (iv) the price of all goods as constant.

- (e) One feature of Giffen good is
- (i) negative income effect
 - (ii) positive income effect
 - (iii) zero income effect
 - (iv) positive substitution effect
- (f) With respect to production, the short run is best defined as a time period
- (i) lasting about six months
 - (ii) lasting about two years
 - (iii) in which all inputs are fixed
 - (iv) in which at least one input is fixed
- (g) Isoquants that are downward-sloping straight lines exhibit
- (i) an increasing marginal rate of technical substitution
 - (ii) a decreasing marginal rate of technical substitution
 - (iii) a constant marginal rate of technical substitution
 - (iv) a marginal rate of technical substitution that cannot be determined

- (h) A firm enjoying economies of scale over some range of output will have a
- (i) rising long-run average cost curve
 - (ii) falling long-run average cost curve
 - (iii) constant long-run average cost curve
 - (iv) flatter U-shaped long-run average cost curve

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

- (a) Microeconomic models
- (b) Consumer equilibrium in a single-commodity case
- (c) Price effect
- (d) Production function
- (e) Internal economies

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

3. (a) Explain, with an example, the method of microdynamic analysis. Mention its advantages and limitations. 7+4=11

Or

(b) Explain the following concepts :

2+3+3+3=11

- (i) Arc elasticities of demand
- (ii) Point elasticities of demand
- (iii) Income elasticities of demand
- (iv) Cross elasticities of demand

4. (a) What do you mean by cardinal measurement of utility? Make a critical account on the cardinal approach of measurement of utility.

3+8=11

Or

(b) Explain the assumptions of indifference curve. Show, with the help of indifference curve, how a consumer attains equilibrium.

4+7=11

5. (a) What is normal good? Show how an individual demand curve can be derived with the help of indifference curve in case of a normal good.

2+9=11

Or

(b) Explain the substitution effect in case of normal, inferior and Giffen goods.

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6. (a) Give an idea on the graphical tools that can be used for the analysis of production function for a single product. 12

Or

- (b) Distinguish between return to factor and return to scale in the context of production function. Explain, with the help of isoquants, the laws of return to scale. 4+8=12

7. (a) Distinguish between variable cost and fixed cost. Explain why the long-run average cost curve is called as 'envelope curve'. 4+7=11

Or

- (b) Distinguish between short run and long run. Why is a long-run average cost curve generally flatter than the short-run average cost curve? 3+8=11
