2015

ECONOMICS

(Major)

Paper : 1.1

(Microeconomics—I)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Choose the correct option : 1×5=5

(i) The main forces of a basic market model are

(1) saving and investment

(2) demand and supply

(3) tax and subsidy

(4) None of the above

(ii) When marginal rate of substitution is constant, the indifference curve is

(1) L-shaped

(2) concave to the origin

(3) downward sloping straight line

(4) None of the above

(iii) A short-run cost function has

(1) only fixed cost

(2) only variable cost

(3) both fixed cost and variable cost

(4) private cost

(iv) The shape of the total fixed cost curve is

(1) parallel to the *X*-axis

(2) parallel to the *Y*-axis

(3) downward sloping

(4) upward sloping

(v) When TR falls, MR is

(1) zero

(2) one

(3) positive but less than one

(4) negative

(b) What is the shape of the Engel's curve for an inferior good? 1

(c) What are the components of the price effect? 1

(d) What is an expansion path? 1

(e) Define opportunity cost. 1

(f) If two goods are unrelated, what is their cross-elasticity of demand? 1

2. Answer the following questions : 2×5=10

(a) What is an unstable equilibrium?

(b) What is a Giffen paradox?

(c) Mention two limitations of indifference curve analysis.

(d) What is a production function?

(e) What is sunk cost?

3. Answer the following questions (any *four*) : 5×4=20

(a) Explain with the help of a suitable diagram how intervention leads to inefficiency in the working of the market.

(b) Distinguish between cardinal utility and ordinal utility.

(c) Mention the properties of indifference curves.

(d) Briefly explain the concept of production possibility curve.

(e) Distinguish between returns to a factor and returns to scale.

(f) Establish the relationship among AR, MR and elasticity of demand.

4. Answer the following questions (any *four*) : 10×4=40

(a) What is equilibrium? Discuss the concepts of static, comparative static and dynamic equilibrium. 1+9=10

(b) Explain with the help of indifference curve analysis how a consumer attains equilibrium. 10

(c) Explain the Marshallian concept of consumer's surplus. What are the applications and limitations of this concept? 5+2+3=10

(d) What is an isoquant? Explain the laws of returns to scale with the help of isoquants. 2+8=10

(e) Explain producer's equilibrium with respect to the use of two factors, given the amount of output to be produced. 10

(f) Discuss how the long-run average cost curve is derived. 10

(g) Discuss how the concepts of marginal cost and marginal revenue are used to the maximization of profit. 10

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