

al No. of Printed Pages—5

**1 SEM TDC ECO M 1**

**2 0 1 1**

( November )

**ECONOMICS**

( Major )

Course : 101

**( Microeconomics—I )**

Full Marks : 80

Time : 3 hours

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

Choose the correct answer : 1×8=8

(a) The cross elasticity of demand estimates the proportionate relationship between

(i) quantity demanded of a commodity and the price of its related commodity

(ii) quantity demanded of a commodity and its price

(iii) quantity demanded of a commodity and the income of its purchaser

(iv) None of the above

*( Turn Over )*



( 2 )

- (b) As per cardinal measurement of utility consuming one commodity a consumer gets maximum satisfaction when
- (i) marginal consumer surplus is equal to zero
  - (ii) price is equal to marginal utility
  - (iii) marginal utility is equal to zero
  - (iv) All of the above
- (c) The convexity of an indifference curve is given by
- (i) the quantity of commodity  $x$  and  $y$  are inversely related in consumption
  - (ii) the marginal rate of substitution between  $x$  and  $y$  is decreasing
  - (iii) Both (i) and (ii)
  - (iv) None of the above
- (d) For Giffen goods
- (i) substitution effect is greater than income effect
  - (ii) substitution effect is equal to income effect
  - (iii) substitution effect is less than income effect
  - (iv) None of the above

12MP—5000/30

( Continued )

43  
( 3 )

- (e) In which stage of the following decision on production is normally taken in the short-run?
- (i) Stage of increasing return
  - (ii) Stage of decreasing return
  - (iii) Stage of negative marginal return
  - (iv) None of the above
- (f) Upper ridge line is the locus where
- (i)  $MRTS_{LK} = 0$
  - (ii)  $MRTS_{LK} < 0$
  - (iii)  $MRTS_{LK} > 0$
  - (iv)  $MRTS_{LK} = \infty$
- (g) At the minimum point of AC
- (i)  $AC > MC$
  - (ii)  $AC < MC$
  - (iii)  $AC = MC$
  - (iv)  $MC = 0$
- (h) External diseconomies of scale is related with
- (i) positively sloped long-run supply curve
  - (ii) negatively sloped long-run supply curve
  - (iii) horizontal long-run supply curve
  - (iv) vertical long-run supply curve

12MP—5000/30

( Turn Over )



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

- (a) Significance of assumptions in economic analysis
- (b) Marginal rate of substitution
- (c) Engel's curve
- (d) Return to scale
- (e) Economies of scale

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

3. (a) What is microeconomics? Give an account on theoretical and practical validities of microeconomic study. 2+9

Or

(b) Show the impact of changes of demand and supply on market equilibrium. 11

4. (a) What is cardinal measurement of utility? Show how market demand curve is derived on the basis of the law of equi-marginal utility. 2+9

Or

(b) Explain with the help of indifference curve the equilibrium of a consumer consuming two commodities at a time with a given amount of income. 11

5. (a) Explain with the help of indifference curve the price and income effects of normal and inferior goods. 11

Or

(b) What is substitution effect? How does substitution effect help in analyzing the consumption behaviour of Giffen goods? 4+7

6. (a) Explain the law of variable proportion. 11

Or

(b) Define isoquant and isocost lines. Show how these tools can be used in determining the optimal factor combination of a firm for a given level of output 2+2+7

7. (a) Explain the relationship among

(i) TC, TVC and TFC

(ii) AC, AVC and AFC

Why is the AFC curve negatively sloped? 5+5+2

Or

(b) Why is a long-run average cost curve U-shaped? Show how a long-run average cost curve is related with scale of economies. 5+7