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1 SEM TDC ECO M 1

2015

(November)

ECONOMICS

(Major)

Course : 101

(Microeconomics—I)

Full Marks : 80

Pass Marks : 32 (Backlog) / 24 (2014 onwards)

Time : 3 hours

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

**1. Answer the following/Choose the correct
answer :**

1×8=8

**(a) The total area under the demand
curve of a good measures**

(i) marginal utility

(ii) total utility

(iii) consumer's surplus

(iv) producer's surplus

(b) When the negative income effect is greater than the substitution effect, it is a case of which one of the following?

- (i) Giffen goods
- (ii) Inferior goods
- (iii) Luxury goods
- (iv) Normal goods

(c) Write one limitation of ordinal utility theory.

(d) Define 'production function'.

(e) Under constant returns to scale, which one of the following is the nature of the long-run average cost curve?

- (i) Parallel to output axis
- (ii) Upward rising
- (iii) Downward sloping
- (iv) Identical to short-run average cost curve

(f) The opportunity cost of a factor of production is

- (i) the earning in its present use
- (ii) what it can earn in the long run
- (iii) what it can earn in the best alternative use
- (iv) None of the above

(g) Diminishing marginal returns to a factor arise essentially because

- (i) quantity of some other factor is relatively fixed
- (ii) quantity of that factor is fixed
- (iii) quantities of all factors are fixed
- (iv) there is government control on production

(Turn Over)

(Continued)

(h) In the two-inputs case, if the product isoquants are L-shaped, the inputs are

- (i) perfect substitutes for each other
- (ii) perfect complementary to each other

(iii) independent of each other

(iv) Not predictable

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

(a) Micro-comparative static analysis

(b) Properties of indifference curve

(c) Income consumption curve and price consumption curve

(d) Ridge lines

(e) Economies and diseconomies of scale

Answer the following questions (within 500 words each) :

3. (a) Discuss the meaning and importance of microeconomic models. Explain its limitations. $8+4=12$

Or

(b) Explain the concepts of 'income elasticity of demand' and 'cross elasticity of demand'. Describe their uses in economic analysis. $6+6=12$

4. (a) What is meant by cardinal utility? By using the cardinal approach, derive the consumer's demand curve. State the limitations of cardinal utility approach. $2+6+3=11$

Or

(b) Explain why an indifference curve for two normal goods is convex to the origin. Show with the help of indifference curve how a consumer attains equilibrium. $5+6=11$

5. (a) Show how an individual demand curve can be derived with the help of indifference curve approach. What will be the shape of demand curve in case of inferior and Giffen goods? 9+2=11

Or

- (b) Decompose the price effect into income and substitution effects for normal and Giffen goods. 6+5=11

6. (a) Explain the equilibrium of a producer with the help of isoquant and iso-cost lines. How do ridge lines describe economic region of production? 7+4=11

Or

- (b) Distinguish between 'returns to factor' and 'returns to scale' in the context of production function. Explain, with the help of isoquants, the laws of returns to scale. 4+7=11

7. (a) "A long-run average cost curve is an envelope of the short-run average cost curves." Illustrate the statement. 11

Or

- (b) Illustrate the short-run and long-run average and marginal cost curves, and explain their relationship.
