

3 (Sem-1) ECO M 1

2012

Bijni College Library
P.O.-Bijni, Dist.-Chirang
(B.T.A.D) Assam

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. Choose the correct option/Fill up the blank/
Answer the following : 1×10=10
- (a) A linearly homogeneous production function depicts
- (i) increasing returns to scale
 - (ii) decreasing returns to scale
 - (iii) constant returns to scale
 - (iv) All of the above
- (b) If the price of a product is Rs 10 and marginal revenue is Rs 5, what is the price elasticity of demand for the product at that point?

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(c) The indifference curve is L-shaped. It signifies

- (i) complementary goods
- (ii) substitute goods
- (iii) None of the above

(d) TFC (Total Fixed Cost) = — + TC (Total Cost)

(e) Define opportunity cost.

(f) When Total Revenue (TR) is maximum, then

- (i) MR equals zero
- (ii) AR equals zero
- (iii) None of the above

(g) What is cardinal utility?

(h) "The Engel curve is a vertical straight line." What does it stand for?

(i) When AC is minimum, then

- (i) $AC < MC$
- (ii) $AC > MC$
- (iii) $AC = MC$
- (iv) None of the above

(j) "The cross-elasticity of demand is positive." Identify the nature of the commodities.

2. Answer the following questions : $2 \times 5 = 10$

- (a) Define elasticity of demand. Express the relationship among AR, MR and elasticity of demand. $1+1=2$
- (b) Differentiate between stable equilibrium and unstable equilibrium. 2
- (c) What is the marginal rate of substitution between two perfect substitute commodities? Derive indifference curve for these commodities. $1+1=2$
- (d) What is a transformation curve? 2
- (e) Mention the limitations of consumer's surplus. 2

3. Answer any four questions of the following :

$5 \times 4 = 20$

- (a) "Scarcity is the central problem of every society." Comment on the statement. Are there other important problems faced by a society? If so, discuss briefly. $2+3=5$
- (b) Elaborate the meaning of static equilibrium, comparative static equilibrium and dynamic equilibrium. $1+2+2=5$
- (c) "All inferior goods are Giffen goods." Give reasons to support your answer. 5

- (d) Will a decrease in a commodity price increase expenditure on that commodity? Why? 1+4=
- (e) Mention the properties of indifference curve.
- (f) Does a firm maximise its total revenue when it maximises its total profit? Explain briefly. 1+4=

4. Answer any four questions of the following : 10×4=4

- (a) What is Engel curve? Explain the procedure of derivation of Engel curve. Derive Engel curve for inferior goods. 1+7+2=1
- (b) Distinguish between substitution effect and income effect with the help of indifference curve. How do they explain the shift in consumer's equilibrium? 6+4=1
- (c) Describe various stages of production with the help of law of variable proportions. 1
- (d) What is economies of scale? How do external economies and diseconomies of scale affect the firm's long-run marginal cost curve? Explain. 2+8=1

- (e) Explain an isoquant with the help of suitable diagram. What are meant by law of constant returns to scale, increasing returns to scale and decreasing returns to scale? Explain these laws with the help of isoquants. 2+8=10
- (f) Discuss the nature of the short-run and long-run average cost curves. Why is the long-run cost curve flatter than the short-run cost curve? 7+3=10
- (g) Mention some basic market models with their basic characteristics. 10
- (h) What is production function? Discuss production function critically with two variable inputs. 2+8=10
