

3 (Sem-1) ECO M 1

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
