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(November)

ECONOMICS

(Major)

Course : 101

(Microeconomics—I)

Full Marks : 80

Pass Marks : 32/24

Time : 3 hours

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

1. Answer the following as directed : 1×8=8

(a) If a 3% increase in the price of a commodity causes a 6% decline in the quantity demanded of it, what is the elasticity of demand?

(b) Write one limitation of ordinal utility theory.

(c) The consumer is in equilibrium when

(i)
$$\frac{Mu_x}{Mu_y} > \frac{P_x}{P_y}$$

(ii)
$$\frac{Mu_x}{Mu_y} < \frac{P_x}{P_y}$$

(iii) $\frac{Mu_x}{Mu_y} = \frac{P_x}{P_y}$

(iv) All of the above

(Choose the correct option)

(d) In case of Giffen good, the income effect is stronger than substitution effect.

(Write True or False)

(e) A locus of constant utility is called the

(i) expansion path

(ii) utility function

(iii) indifference curve

(iv) demand function

(Choose the correct option)

(f) Production function shows the physical relationship between _____ and _____.

(Fill in the blanks)

(g) With which of the following is the concept of MC closely related?

(i) Variable cost

(ii) Fixed cost

(iii) Opportunity cost

(iv) Economic cost

(Choose the correct option)

(h) Identify the fixed cost from the following :

(i) Labour cost

(ii) Electricity bill

(iii) Salary of watchman

(iv) Cost of raw materials

(Choose the correct option)

2. Write short notes on any *four* of the following
(**within 150 words** each) : $4 \times 4 = 16$
- (a) Individual and market demand
 - (b) Budget constraint
 - (c) Ordinal utility approach
 - (d) Production function
 - (e) Implicit cost and explicit cost

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

3. (a) Explain with examples the meaning of microeconomics and macroeconomics. Discuss the scope of microeconomics. $4+8=12$

Or

- (b) Explain the different methods of measurement of price elasticity of demand. Describe the uses of price elasticity of demand. $6+6=12$
4. (a) What is meant by cardinal utility? By using the cardinal approach, derive the consumer's demand curve. $3+8=11$

Or

- (b) What do you mean by consumer's equilibrium? Explain with the help of indifference curve how a consumer attains equilibrium. $2+9=11$

5. (a) Using indifference curve analysis, show how price effect of a commodity is decomposed into income effect and substitution effect. 11

Or

- (b) What is Engel curve? Explain the derivation of an Engel curve from an income-consumption curve. When does it tend to bend backward? 2+7+2=11

6. (a) What are the differences between returns to a factor and returns to scale? Explain with the help of isoquants the laws of returns to scale. 3+8=11

Or

- (b) Define isoquant and isocost. Show how these tools can be used in determining the optimal factor combination of a firm for a given level of output. 4+7=11.

7. (a) Distinguish between short-run average cost curve and long-run average cost curve. Explain why the long-run average cost curve is called as 'envelope' curve. 4+7=11

Or

- (b) Write the meaning of economies and diseconomies of scale. Analyze the different types of internal and external economies and diseconomies. 3+4+4=11
