3 SEM TDC ECOH (CBCS) C 5

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(Held in April–May, 2021)

ECONOMICS

(Core)

Paper : C–5

(Essentials of Microeconomics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks
for the questions

1. Choose the correct answer/Answer the
   following :   1×8=8

   (a) A locus of constant utility is called

   (i) expansion path

   (ii) revealed preference axiom

   (iii) indifference curve

   (iv) demand function

(2)

(b) Write one difference between normal
good and Giffen good.

(c) Define producer's surplus.

(d) Which of the following is not a
determinant of the firm's cost function?

 (i) Managerial efficiency

 (ii) The price of labour

 (iii) Taxes

 (iv) The price of the firm's output

(e) Write the difference between perfect
competition and pure competition.

(f) In consumer behaviour theory, which of
the following deals with choice under
conditions of certainty?

 (i) Revealed preference approach

 (ii) Marshallian cardinal utility
approach

 (iii) Hicks-Allen indifference curve
approach

 (iv) All of the above

(g) What is the sufficient condition for equilibrium for a perfectly competitive firm?

  (i) Marginal Revenue (MR) = Marginal Cost (MC)

  (ii) MC curve should cut the MR curve from below

  (iii) MC curve should cut the MR curve from above

  (iv) MR = AC

(h) In the linearly homogenous Cobb-Douglas production function with two inputs, the elasticity of substitution between the inputs is

  (i) zero

  (ii) one

  (iii) greater than one

  (iv) less than one

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

  (a) Axioms of rational choice

  (b) Choice under risk

  (c) Cobb-Douglas production function

  (d) Economies of scope

  (e) Profit functions

Answer the following questions :

3. *(a)* Analyze graphically the concept of utility maximization and choice with a reference to two-goods case.   12

Or

  (b) *(i)* Write the meaning of expenditure minimization. What are the properties of expenditure function?
                4+3=7

    (ii) Explain the Lump Sum principle.   5

(5)

4. *(a)* Using Hicksian and Slutsky's methods, show how price effect of a normal good is decomposed into income effect and substitution effect.   5½+5½=11

Or

(b) Explain the revealed preference theory of consumer behaviour. What are its advantages over cardinal utility analysis? Mention its limitations.   6+3+2=11

5. *(a)* *(i)* What is production function? Draw the isoquant map and state its characteristics.   2+4=6

(ii) Why does marginal rate of technical substitution between factors diminish?   5

(6)

Or

(b) Using production transformation curve, show how a producer of multiple products attains equilibrium.   11

6. *(a)* *(i)* Explain the relationship among the different short-run cost curves. What are their significances in the theory of production?   4+4=8

(ii) Write the meaning of social and private costs.   3

Or

(b) Illustrate the relationship between short-run and long-run cost curves. Why is long-run average cost curve flatter than short-run average cost curve?   8+3=11

7. *(a)* Discuss the short-run and long-run equilibrium in a competitive industry. Why the perfectly competitive firms cannot earn supernormal profits in the long run?   4+4+3=11

(7)

Or

(b)   (i)   Illustrate   the   short-run   supply
           curve of a price-taking firm.   6

      (ii) What is input demand? Discuss
           how an input demand function is
           derived.   1+4=5

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