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**3 SEM TDC ECOH (CBCS) C 5**

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( Nov/Dec )

**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 option/Answer the following : 1×8=8

(a) Indifference curve analysis is based on \_\_\_\_\_ marginal rate of substitution.

( diminishing / increasing /  
constant )

(b) What is meant by utility maximization?

- (c) One feature of Giffen good is
- (i) negative income effect
  - (ii) positive income effect
  - (iii) zero income effect
  - (iv) positive substitution effect
- (d) The substitution effect can be measured holding
- (i) income constant
  - (ii) utility constant
  - (iii) the price of one good constant
  - (iv) the price of all goods constant
- (e) What do you mean by marginal rate of technical substitution?

- (f) In the long run, some firms will exit the market if the price of the goods offered for sale is less than
- (i) APC
  - (ii) MC
  - (iii) ATC
  - (iv) AR
- (g) The firm in a perfectly competitive market is a price taker. The designation as a price taker is based on the assumption that
- (i) the firm has nominal control over its product price
  - (ii) there are so many buyers and sellers in the market that any individual firm cannot affect the market
  - (iii) there is easy entry into or exit from the market
  - (iv) None of the above

(h) Profit for a firm is maximum, when

(i)  $MR > MC$

(ii)  $MR < MC$

(iii)  $MR = MC$

(iv)  $MR = MC = 0$

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

(a) Indirect utility function

(b) Revealed preference theory

(c) Expansion path

(d) Diseconomies of scale

(e) Profit maximization rule

Answer the following questions (within 500 words each) :

3. (a) Write the meaning of rational choice. Explain, by using indifference curve and budget, how a consumer attains equilibrium. 3+8=11

Or

(b) What is meant by expenditure minimization? Explain the properties of expenditure function. 3+8=11

4. (a) Using indifference curve analysis, show how price effect of a commodity is decomposed into income effect and substitution effect in case of normal good. 11

Or

(b) Explain graphically the compensated and ordinary demand curves. 11

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5. (a) What is meant by marginal rate of technical substitution? How do you calculate marginal rate of substitution? Explain.  $2+9=11$

Or

- (b) What is production function? What are the properties of C-D production function? Explain C-D production function with the help of suitable diagram.  $2+2+7=11$

6. (a) Explain graphically the short-run cost curves and their interrelationships. 12

Or

- (b) How is the LAC curve derived from a set of short-run AC curves? Why is LAC curve U-shaped? Explain.  $7+5=12$

7. (a) What is perfect competition? Explain short-run and long-run equilibrium in a competitive industry with the help of suitable diagram.  $2+9=11$

( 7 )

Or

- (b) (i) Write the differences between perfect competition and pure competition.
- (ii) Explain why firms earn zero profit in long-run competitive equilibrium.  $6+5=11$

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