

Total No. of Printed Pages—4

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

(a) 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) None of the above

(2)

- (b) Indifference curve analysis is based on _____ marginal rate of substitution.
- (i) diminishing
 - (ii) increasing
 - (iii) constant
 - (iv) None of the above
- (c) Write two examples of Giffen goods.
- (d) If two factors are perfect substitutes, the isoquant will be
- (i) L-shaped
 - (ii) straight line
 - (iii) downward sloping
 - (iv) convex to the origin
- (e) What do you mean by marginal rate of technical substitution?
- (f) Write the condition of the shut-down point of a firm.
- (g) Draw the average revenue and the marginal revenue curve in the same plane.
- (h) The firm in a perfectly competitive market is a price taker due to
- (i) homogeneous product
 - (ii) free entry and exit
 - (iii) large number of buyers and sellers in the market
 - (iv) None of the above

(3)

2. Write short notes on any *four* of the following (within 150 words each) : 4×4=16
- (a) Properties of expenditure function
 - (b) Substitution effect of price change
 - (c) Isoquant
 - (d) Elasticity of substitution
 - (e) Economics of scope

Answer the following questions (within 500 words each) :

3. (a) What do you mean by rational choice? Explain, by using indifference curve and budget line, how a consumer attains equilibrium. 3+8=11
- Or
- (b) What do you mean by expenditure minimization? Compare and contrast utility maximization and expenditure minimization. 5+3+3=11
4. (a) In case of Giffen good, show how price effect of a commodity is decomposed into income effect and substitution effect. 11
- Or
- (b) Explain graphically the revealed preference theory. 11

5. (a) Explain the law of returns to scale with the help of isoquants. 12

Or

- (b) Briefly explain—
(i) CES production function;
(ii) production transformation curve. 6+6=12

6. (a) Explain various short-run cost concepts and show their interrelationship with proper diagram. How is long-run cost curve different from short-run cost curves? 5+4+2=11

Or

- (b) Explain various economies and diseconomies of scale with proper examples. 11

7. (a) What is perfect competition? Explain short-run equilibrium of firms under different cost conditions in a competitive market. 11

Or

- (b) (i) Explain why firms earn zero profit in long-run competitive equilibrium. 9
(ii) Write the meaning of input demand. 2
