63/1 (SEM–2) CC3/ECOHC2036

2023

ECONOMICS

Paper : ECOHC2036

(Intermediate Microeconomics—I)

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 of the following (any *six*) : 1×6=6

(a) The ordinal utility concept was developed by

(i) Neumann and Morgensterrn

(ii) Marshall

(iii) J. R. Hicks and R. G. D. Allen

(iv) Eugen Slutsky

(b) A short-run cost function has

(i) only fixed cost

(ii) only variable cost

(iii) only private cost

(iv) both fixed cost and variable cost

(c) Effective demand is demand for the commodity backed by

(i) willingness to pay without purchasing capacity

(ii) willingness to pay and purchasing capacity

(iii) only willingness to pay

(iv) only purchasing capacity

(d) Labour supply curve in a perfectly competitive labour market is

(i) perfectly inelastic

(ii) perfectly elastic

(iii) elastic

(iv) inelastic

(e) The total utility (TU) is maximum, when

(i) MU is greater than zero

(ii) MU is less than zero

(iii) MU is negative

(iv) MU is equal to zero

(f) For a firm under perfect competition, the condition for 'shut-down' point is where

(i) SMC = SAC = P

(ii) SAC = SAVC = SMC

(iii) SAC = SMC = P

(iv) P = MR = SMC = SAVC

(g) In case of convex isoquant, MRTS

(i) decreases at decreasing rate

(ii) decreases at increasing rate

(iii) neither decreases nor increases

(iv) increases along the isoquant

(h) Under monopoly, a firm in the long-run earns

(i) supernormal profit

(ii) normal profit

(iii) net profit

(iv) gross profit

(i) A market system where there is only single seller of a commodity is known as

(i) monopoly

(ii) oligopoly

(iii) monopsony

(iv) monopolistic competition

(j) Demand for factor of production is

(i) supplementary demand

(ii) complementary demand

(iii) derived demand

(iv) real demand

2. Answer any *five* of the following questions : 2×5=10

(a) What is budget equation? Suppose the income of a consumer consuming only two goods X and Y has a money income M and the prices of goods X and Y are given by P_X and P_Y respectively. Construct the budget equation of the consumer.

(b) Give the meaning of explicit and implicit costs with examples.

(c) What do you mean by transitivity and consistency of choice?

(d) How is perfect competition different from pure competition?

(e) State the law of diminishing marginal utility.

(f) How does existence of close substitute affect the monopoly power?

(g) What do you mean by intertemporal choice?

3. Answer any *six* of the following questions : 5×6=30

(a) Explain the short-run equilibrium of a competitive firm.

(b) Write a note on backward bending supply curve of labour.

(c) Explain in brief the principal agent problem in economics.

(d) Explain briefly the properties of isoquant.

(e) Differentiate between increasing returns to scale and decreasing returns to scale.

(f) What will be the returns to a factor if the returns to scale are increasing? Explain in brief.

(g) Distinguish between labour intensive technical progress and capital intensive technical progress.

(h) How do the LAC and LMC determine the optimum size of the firm in the long-run? Explain in brief with suitable diagram.

(i) Outline the sources for the existence and survival of monopoly power.

(j) Why is AR curve horizontal straight line in perfect competitive market? Explain.

4. Answer any *two* of the following questions : 10×2=20

(a) Discuss the Slutskian method of decomposing the price effect into income effect and substitution effect.

(b) Explain the derivation of demand curve for labour under the condition of both labour and capital are variable inputs.

(c) What are the different types of production function? State and explain the law of variable proportions with suitable diagram. 2+8=10

(d) In what way product pricing is different from factor pricing? Explain the wage determination in a perfectly competitive labour market. 2+8=10

5. Answer any *one* of the following questions : 14

(a) What is a monopsony market? Explain the determination of wage and employment under the condition that a monopolist in product market is monopsonist in a perfectly competitive market. 2+12=14

(b) Explain the derivation of demand curve from the revealed preference approach. How far is the revealed preference approach superior to the indifference curve approach? 10+4=14

(c) Compare the long-run equilibrium of a competitive and monopoly firm with regard to price and output.

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