

Ba/EC3. M3

2024

(FYUGP)

(3rd Semester)

ECONOMICS

(Minor)

Paper Code : EC3. M3

(Intermediate Microeconomics—I)

Full Marks : 75

Pass Marks : 40%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 50)

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

Answer five questions, taking one from each Unit

UNIT—I

**1. Explain with the help of a diagram, the
concept of consumer's equilibrium in the
case of two goods.**

10

**2. Explain in detail the lump sum principle with
the help of a diagram.**

10

L25/154a

(Turn Over)

UNIT—II

3. Explain the income effect and substitution effect with the help of Hicksian approach. 10
4. Explain the revealed preference theory. 10

UNIT—III

5. Explain the concept of marginal rate of technical substitution (MRTS). Briefly explain any two uses. $8+2=10$
6. Explain the law of variable proportions. Briefly explain the stage of operation. $6+4=10$

UNIT—IV

7. Why is long-run cost curve U-shaped? Explain. 10
8. Analyse the difference between real and pecuniary economies of scale. 10

UNIT—V

9. What is labour market? Explain the types of labour market. $2+8=10$
10. Explain the marginal productivity of labours. 10

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ECONOMICS

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Paper Code : EC3.M3

(Intermediate Microeconomics—I)

(PART : A—OBJECTIVE)

(Marks : 25)

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SECTION—I

(Marks : 15)

A. Put a Tick (✓) mark against the correct answer in the brackets provided : 1×15=15

1. Which of the following is true about total utility and marginal utility?

- (a) Total utility decreases as more of a good is consumed ()**
- (b) Marginal utility is always constant as consumption increases ()**
- (c) Total utility increases at a decreasing rate as more of a good is consumed ()**
- (d) Marginal utility increases as more of a good is consumed ()**

2. The slope of indifference curve is equal to

- (a) one ()
- (b) marginal rate of substitution ()
- (c) marginal utility ()
- (d) zero ()

3. For Giffen goods, the income effect is

- (a) positive and outweighs the substitution effect ()
- (b) negative and outweighs the substitution effect ()
- (c) positive and weaker than the substitution effect ()
- (d) equal to the substitution effect ()

4. The law of demand must fail in case of

- (a) normal goods ()
- (b) inferior goods ()
- (c) Giffen goods ()
- (d) None of the above ()

5. Total utility

(a) is the sum total of marginal utilities ()

(b) is the total level of satisfaction ()

(c) increases at a diminishing rate ()

(d) All of the above ()

6. The price elasticity of demand can range between

(a) zero and infinity ()

(b) negative one and one ()

(c) zero and one ()

(d) negative infinity and infinity ()

7. In the long run, the expansion path shows

(a) the combinations of inputs that minimise cost for a given level of output ()

(b) the optimal combination of inputs for short-run production ()

(c) the cost of production for fixed inputs ()

(d) the maximum output that can be achieved with a given set of inputs ()

8. Increasing returns to scale occur when

- (a) output increases by the same proportion as the increase in inputs ()
- (b) output increases by a proportionally larger amount than the increase in inputs ()
- (c) output increases by a proportionally smaller amount than the increase in inputs ()
- (d) output decreases as inputs are increased ()

9. An isoquant represents

- (a) the combinations of inputs that yield the same level of total cost ()
- (b) the combinations of inputs that produce the same level of output ()
- (c) the combinations of outputs that require the same amount of input ()
- (d) the relationship between input prices and output levels ()

10. A negatively sloped isoquant implies

- (a) products with negative marginal utilities ()
- (b) products with positive marginal utilities ()
- (c) inputs with negative marginal utilities ()
- (d) inputs with positive marginal utilities ()

11. In traditional cost theory, cost is defined as

- (a) the total amount spent on purchasing factors of production ()
- (b) the total expenditure on both fixed and variable inputs used in production ()
- (c) the amount of money paid for raw materials only ()
- (d) the cost of production divided by the number of units produced ()

12. Opportunity cost is defined as

- (a) the amount of money spent on production inputs ()
- (b) the cost associated with long-run investments ()
- (c) the cost of an input measured by the value of the next best alternative use ()
- (d) the fixed cost of production ()

13. In case of normal goods, demand curve shows

- (a) a negative slope ()
- (b) a positive slope ()
- (c) zero slope ()
- (d) None of the above ()

14. The formula for marginal revenue product (MRP) is

- (a) $MRP = TR/TP$ ()
- (b) $MRP = MP \times MR$ ()
- (c) $MRP = MC \times AP$ ()
- (d) $MRP = TC/Q$ ()

15. The purpose of a minimum wage policy is to

- (a) ensure that all workers earn a wage above the poverty line ()
- (b) increase the labour supply ()
- (c) allow firms to pay wages below the market equilibrium ()
- (d) reduce government intervention in the labour market ()

(7)

SECTION—II

(Marks : 10)

B. Write short notes on any *five* of the following : $2 \times 5 = 10$

1. Axioms of rational choice

2. Inter-temporal choice

(Marks : 10)

B. Write short notes on any five of the following: $2 \times 5 = 10$

I. Axioms of rational choice

(a) Transitivity

(b) Reflexivity

14. The formula for marginal revenue product (MRP) is

(a) $MRP = TP/TP$

(b) $MRP = MP \times MR$

3. Indifference curve

(a) $MRP = MP \times MR$

(b) $MRP = TP/Q$

15. The purpose of a minimum wage policy is to

(a) ensure that all workers earn a wage above the poverty line

(b) increase the labour supply

(c) allow firms to pay wages below the market rate

(d) reduce government expenditure on social security

(9)

4. Isoquant map

6. Economics of scale

5. Returns to scale

7. Marginal revenue product

(10)

6. Economies of scale

7. Marginal revenue product

(11)

8. Role of trade union

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