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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?

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(Turn Over)

(2)

(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

(4)

(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

(5)

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

(6)

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
