14 (ECO–1) 1016

2022

ECONOMICS

Paper : ECO–1016

(Principles of Microeconomics)

Full Marks : 80

Time : Three hours

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

1. Answer the following questions :   5×4=20

   (a) What are returns to scale ? What type of returns to scale does the production function $Q = 4\sqrt{LK}$ exhibit ?   3+2=5

   (b) Define indirect utility function (IUF). Show how one gets the uncompensated demand function from the IUF ?
   2+3=5

   (c) In a duopoly model, what do isoprofit curves represent ?

(d) How is the Cash Flow Statement of a firm different from its Income Statement?

2. Answer ***any three*** of the following questions : 10×3=30

(a) Explain with the help of a suitable diagram the derivation of the production possibility curve for a firm producing two goods and two inputs—labour and capital. What does the isorevenue curve of such a firm depict?
8+2=10

(b) State the distinguishing features of monopolistic competetion. Why does a firm under monopolistic competition face two demand curves? Explain.
4+6=10

(c) Will our utility function be rational in the presence of lexicographic preference? Justify your answer. Why can't we get the usual shape of indifference curve while using lexicographic preferences? Explain.
4+6=10

(d) Explain the kinked demand model for determining price and output in an oligopoly market. Why do prices remain sticky in such a market?

(e) Give an outline of the income statement (Profit and Loss Account) of a business entity. How does this account impact the entity's Balance Sheet?

3. Answer *any two* of the following questions:
15×2=30

(a) Distinguish between fixed cost and variable cost with suitable example. How is the cost function derived from the production function? Elaborate.
5+10=15

(b) Examine the long-run equilibrium of a monopoly firm. Can price regulation help in removing the deadweight loss under monopoly? Discuss. 7+8=15

(c) How is a managerial firm diferent from a conventional firm in neoclassical microeconomic theory? Give a comparative analysis of equilibria of a profit maximising firm and a sales-revenue maximising firm. 5+10=15

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