Total number of printed pages–3

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2023

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) Distinguish between labour deepening and capital deepening technical progress.

   (b) How do taxes work as a measure of regulating monopoly ?

   (c) How is a compensated demand curve different from the normal (Marshallian) demand curve ? Explain.

   (d) Define Roy's identity in the context of indirect utility function.

Contd.

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

(a) In a production function, what does the marginal rate of technical substitution (MRTS) depict? What are the limitations of MRTS as a measure of substitution? For the CES production function, obtain the value of the MRTS. 4+1+5=10

(b) What changes occur in the indifference curves when there is a violation of the non-satiation assumption about preferences? Explain the use of linear expenditure systems in consumer choice theory. 5+5=10

(c) Discuss the minimum expenditure function. Mention its three properties. Show how welfare change can be measured with the help of minimum expenditure function. 2+3+5=10

(d) Explain the concept of product group in monopolistic competition. How does a firm attain equilibrium with price competition in such a market? 3+7=10

(e) Discuss various entries to the income statement of a business firm. How is the Cash Flow Statement different from the Income Statement? 7+3=10

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

(a) Examine how a firm makes the choice of optimal combination of factor inputs when producing a single product. How is the expansion path of a firm obtained ? Explain how the expansion path is different from a product line.

(b) Discuss in detail the price leadership models of—

(i) a low cost firm, and

(ii) a large dominant firm under collusive oligopoly. 8+7=15

(c) How is a managerial firm different from an owner-operated firm ? Using total cost and total revenue curves, show that a sales revenue maximising managerial firm would usually produce a larger output than a profit maximising firm. Under what conditions may the managers have to stop short of going up to the sales revenue maximising output ? 4+8+3=15
