

2011

ECONOMICS

(Major)

Paper : 1.1

(Microeconomics—I)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks
for the questions

1. Choose the correct option / Answer the following : 1×10=10

(a) The meaning of the word 'economic' is most closely associated with the word

- (i) free
- (ii) scarce
- (iii) unlimited
- (iv) unrestricted

(b) Mention the basic economic problems.

(c) If $C = D = 10$ utilities, then it implies

- (i) a cardinal measure of utility
- (ii) an ordinal measure of utility
- (iii) an ordinal and a cardinal measure of utility
- (iv) None of the above

(d) Mention the consumer's equilibrium conditions.

- (e) The marginal rate of substitution of X for Y in a general shape of an indifference curve
- is positive
 - is negative
 - remains constant
 - None of the above
- (f) When the total product falls, then the average product of labour is
- zero
 - negative
 - positive
 - None of the above
- (g) If the $MRTS_{LK}$ equals 2, then the MP_K/MP_L is
- 2
 - $\frac{1}{2}$
 - 1
 - 4
- (h) What is sunk cost?
- (i) All the following curves are U-shaped, except
- AVC curve
 - AFC curve
 - AC curve
 - MC curve
- (j) Express the elasticity of demand formula in terms of AR and MR.

2. Answer the following :

- Differentiate between ∂ and comparative dynamic
- What is substitution effect
- Under what condition is the indifference curve of right-angle shape? Give an example.
- Why do two isoquants not intersect?
- Mention the relationship between MR and MR .

3. Answer any four from the following :

- Elaborate the meaning of unstable equilibrium diagram.
- What is Giffen paradox? Illustrate it on the Engel's curve for a Giffen good.
- Why is indifference curve convex to the origin? Give two limitations of indifference curve.
- What is the use of substitution in economics? Give elasticity of substitution.
- Differentiate between economies of scale and constant returns to scale.
- Illustrate how profit is maximised when revenue and cost curves are given.

4. Answer any four from the following : $10 \times 4 = 40$

- (a) Examine the definition that economic activity consists in the allocation of scarce means to given ends. 10
- (b) ✓ Derive a consumer's demand curve for a commodity from his price consumption curve. 10
- (c) What is consumer's surplus? What is the application of this concept in economics? What are the limitations of consumer's surplus concept? $5+2+3$
- (d) ✓ Discuss the various stages of production with the help of law of variable proportion. 10
- (e) Explain the derivation of expansion path. 10
- (f) What is production possibility curve? ✓ How can it be derived? Illustrate with appropriate diagram. $2+8$
- (g) State the derivation process of long-run average cost curve and long-run marginal cost curve. 10
- (h) ✓ Mention some basic market models with their basic characteristics. 10

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ECONOMICS

(Major)

Paper : 1.2

(Macroeconomics—I)

Full Marks : 80

Time : 3 hours

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

✓ 1. Answer the following questions : 1×10=10

(a) Define MPC.

(b) What is the meaning of the term 'production' in economics?

(c) What is 'inventory investment'?

(d) State the Say's law.

(e) What do you mean by the term 'leverage effect'?

(f) Give the name of the revolutionary book authored by J. M. Keynes and published in 1936.

- (g) Give two names of classical economists.
- (h) What is 'net investment'?
- (i) Write two examples of government transfer payment.
- (j) What do you mean by the term 'household sector'?

2. Answer the following questions : $2 \times 5 = 10$

- (a) What is the difference between product flow and money flow?
- (b) Distinguish between final product and intermediate product.
- (c) Bring out the meaning of the term 'underemployment equilibrium'.
- (d) What are the determinants of marginal efficiency of capital?
- (e) Why does the aggregate demand curve slope downward?

3. Answer any four of the following questions (your answer should be brief) : $5 \times 4 = 20$

- (a) Define the concept of GDP. How does it differ from GNP?
- (b) How do you explain the behaviour of linear and non-linear consumption functions?

- (c) Show that the sum of the marginal propensity to consume and marginal propensity to save is equal to one.
- (d) Write in brief the characteristics of a linear function.
- (e) Why does the marginal propensity to consume curve slope downward?
- (f) A firm produces output of Rs 500 and pays Rs 200 for the cost of materials and Rs 300 for the cost of labour. Depreciation is valued at Rs 50. Calculate the firm's gross value added.

4. Answer any four of the following questions :

- (a) Describe the circular flow of income in a two-sector economy. What is the relationship between the magnitude of the circular flow and the level of economic welfare? Justify.
- (b) Why is GDP an important indicator of economic welfare? Justify.
- (c) Explain briefly the multiplier effect in a two-sector economy.
- (d) What is a multiplier? How does additional investment contribute to the national income? Draw a diagram to show that the multiplier effect is greater when $MPC > 0$.

- (e) State and explain the technical properties of Keynesian consumption function. What are its limitations? 8+2=10
- (f) What is marginal efficiency of capital? Show the relationship between marginal efficiency of capital and marginal efficiency of investment. 2+8=10
- (g) State and explain the major components of national income. Show the relationship between GDP and the four major components of national income, using an appropriate equation. 8+2=10
- (h) Explain the interaction between multiplier and accelerator. How far is it possible to provide a satisfactory explanation of trade cycle on its basis? 8+2=10
