REV-01
MEC/01/05

2024/07

MA ECONOMICS
FIRST SEMESTER [SPECIAL REPEAT]
MICRO ECONOMIC ANALYSIS-I
MEC – 101
[USE OMR SHEET FOR OBJECTIVE PART]

SET A

Duration: 3 hrs. **Full Marks: 70**

Objective

Time: 30 mins. **Marks: 20**

Choose the correct answer from the following: ***1×20=20***

1. If total consumer expenditure on a good falls as its price falls this indicates that
   - a. $E_p<1$
   - b. $E_p>1$
   - c. $E_{p=1}$
   - d. $E_{p=}$
2. The general equation of the budget constraint line
   - a. $P_x.Q_x+P_yQ_y=M$
   - b. $Q_x P_x=M+P_y$
   - c. $P_x/M=Q_x$
   - d. $P_x+P_y=O$
3. The indifference curve which is L-shape represents
   - a. Perfect complementarity
   - b. Perfect substitutability
   - c. No substitutability
   - d. No complementarity
4. Economics of scale means
   - a. Reduction in unit cost of production
   - b. Reductions in unit cost of distribution
   - c. Addition to the unit cost of production
   - d. Reduction of total cost of production
5. The slope of the iso-cost line is determined by
   - a. Prices of the two factors
   - b. Productivity of the two factors
   - c. Degree of substitutability of two factors
   - d. None of these
6. The returns to scale are measured by
   - a. $\alpha-\beta$
   - b. $\alpha+\beta$
   - c. $\alpha.\beta$
   - d. α/β
7. The doctrine of consumer's surplus is based on the concept of
   - a. Indifference curve analysis
   - b. Revealed preference theory
   - c. The law of diminishing marginal utility
   - d. Law of substitution
8. The factor intensity is measured by
   - a. α/A
   - b. α/β
   - c. A+B
   - d. $\alpha+\beta$
9. The vertical distance between TVC and TC is equal to
   - a. MC
   - b. AVC
   - c. TFC
   - d. None of these

10. Opportunity cost are also known as
   a. Spill over costs
   b. Money costs
   c. Alternative costs
   d. External costs

11. Which of the following assumptions is not correct for the revealed preference analysis
   a. Consistency
   b. Transitivity
   c. Rationality
   d. Weak-ordering

12. The demand curve for a commodity is generally drawn on the assumption that
   a. The commodity has no substitutes
   b. The average household consists of two persons
   c. Tastes, income and all other prices remain constant
   d. Purchases of the commodity are made by a free market.

13. Cross elasticity of complementary goods is
   a. Negative
   b. Zero
   c. High
   d. Infinite

14. In the long run
   a. All the factors can be used in different proportions
   b. Management can be re-organized
   c. A firm can experience returns to scale
   d. All of these

15. Average fixed cost can be obtained through
   a. AFC=TFC/TC
   b. AFC=TFC/MC
   c. AFC=TC + TVC
   d. AFC=MC + TVC

16. A production possibility curve can be
   a. Concave to the origin
   b. Convex to the origin
   c. Straight line
   d. Upward sloping

17. For the Cobb Douglas Production Function
   $Q=AL^{\alpha}K^{1-\beta}$
   The elasticity of substitution is
   a. Zero
   b. One
   c. Infinity
   d. α

18. In CES production function
   $Q=A[\alpha K^{-\rho}+(1-\alpha)L^{-\rho}]^{-1/\rho}$
   Where all the paramaters are positive constants. Here elasticity of substitution is given by
   a. $-\rho$
   b. $-1/\rho$
   c. $1/1+\rho$
   d. M

19. If elasticity of demand is equal to zero, the demand curve will be
   a. Parallel to x-axis
   b. Parallel to vertical axis
   c. Upward sloping 45^0 line
   d. Downward sloping from left to right

20. In case of convex indifference curve
   a. MRS_{xy} is constant
   b. MRS_{xy} is increasing
   c. MRS_{xy} is negligible
   d. MRS_{xy} is diminishing

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Descriptive

Time : 2 Hr. 30 Mins. **Marks : 50**

[Answer question no.1 & any four (4) from the rest]

1. a) What are isoquants? Why an isoquant slopes downwards? 2+2+6=10
   b) Explain the properties of isoquants.

2. Using indifference curve analysis, show how price effect of a commodity is decomposed into income effect and substitution. 10

3. What is increasing returns to scale? Show them on an isoquant map. Explain the causes of increasing returns to scale. 2+3+5=10

4. a) What is production function? Distinguish between short run and long run production function. 2+3+5=10
   b) What are the properties of CES production function?

5. I) Given below is the short run total cost function 1+1+2+2+4=10
   $TC=100+50Q-12Q^2+Q^3$
   Where TC is total cost and Q is the level of output.
   Determine
   a) total fixed cost function
   b) average variable cost function
   c) marginal cost function
   II) Explain the causes of U-shape of the long run average cost curve.

6. Explain the concept of consumer surplus. How did Marshall measure it? 3+7=10

7. Explain consumer's equilibrium condition with the help of indifference curve approach. 10

8. Explain the Hicksian revised theory of demand. 10

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