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**3 SEM TDC ECOH (CBCS) C 5**

**2 0 2 2**

( 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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- (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?

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( Continued )

- (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

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( 5 )

(h) Profit for a firm is maximum, when

- (i)  $MR > MC$
- (ii)  $MR < MC$
- (iii)  $MR = MC$
- (iv)  $MR = MC = 0$

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

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

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

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( Continued )

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( 6 )

( 7 )

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

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

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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