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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. (a) Choose the correct option : 1×5=5

(i) Economic problem is basically related to

(1) development and under-development

(2) scarcity and choice

(3) poverty and exploitation

(4) income and expenditure

(ii) For a luxury, the income elasticity of demand for the good is

(1) equal to one

(2) less than one

(3) greater than one

(4) None of the above

(2)

(iii) When total product is maximum, marginal product is

- (1) zero
- (2) positive
- (3) negative
- (4) None of the above

(iv) All the inputs are increased by 5% and as a result output increases by 7%. It is a situation of

- (1) returns to a factor
- (2) constant returns to scale
- (3) decreasing returns to scale
- (4) increasing returns to scale

(v) When price of a good increases from ₹ 10 to ₹ 20, demand falls from 15 units to 5 units. The price elasticity of demand for the good is

- (1) one
- (2) less than one
- (3) greater than one
- (4) zero

(3)

(b) Which of the following statements is true? 1

- (i) All inferior goods are Giffen goods.
- (ii) All Giffen goods are inferior goods.

(c) State the Engel's law. 1

(d) Define an isoquant. 1

(e) Can there be fixed cost in the long run? 1

(f) What is cross elasticity of demand? 1

2. Answer the following questions : 2×5=10

- (a) What is comparative statics?
- (b) What is substitution effect of a price change?
- (c) Define marginal rate of technical substitution of labour for capital.
- (d) What is opportunity cost of production?
- (e) Mention the relationship between AR and MR with diagram.

3. Answer the following questions (any *four*) :
5×4=20

- (a) Distinguish between stable and unstable equilibrium.
- (b) Mention the assumptions of indifference curve analysis.
- (c) Briefly explain the concept of consumer's surplus.
- (d) Differentiate between economies and diseconomies of scale.
- (e) What is factor elasticity of substitution? Explain briefly.
- (f) Explain the concepts of Total Revenue (TR), Average Revenue (AR) and Marginal Revenue (MR).

4. Answer the following questions (any *four*) :
10×4=40

- (a) Discuss some basic market models indicating whether they work through the market or interfere with the market. 10
- (b) Discuss how a consumer attains equilibrium with the help of indifference curve analysis. 10

- (c) Discuss how demand curve can be derived from the price consumption curve. 10
- (d) Discuss how price effect can be decomposed into income effect and substitution effect by the Hicksian method. 10
- (e) Discuss the properties of isoquants with diagrams. 10
- (f) Derive long-run average cost curve from short-run average cost curves. Draw the long-run average cost curve under constant returns to scale. 8+2=10
- (g) Discuss the law of variable proportions. Is the law of diminishing return a special case of this law? 7+3=10

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- (f) Define MEC (marginal efficiency of capital). What are the short-run and long-run factors affecting MEC? 10
- (g) Examine the relevance of the Keynesian tools to underdeveloped countries. 10
- (h) What are the determinants of effective demand according to Keynes? Explain how level of employment can be ascertained with the help of these determinants. 10

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2 0 1 4**ECONOMICS****(Major)**

Paper : 1.2

(Macroeconomics)

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 Disposable Personal Income.
- (b) What do you mean by 'effective demand'?
- (c) Give the meaning of the term 'economic welfare'.
- (d) What is 'aggregate supply function'?
- (e) What do you mean by Gross National Product (GNP)?
- (f) What is the 'paradox of thrift'?
- (g) Give the meaning of 'prospective yield' of capital asset.

(2)

- (h) The value of the multiplier can range between which values?
- (i) Can the MPC be zero?
- (j) What is super-multiplier?

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

- (a) Give two difficulties of measuring National Income in underdeveloped countries.
- (b) State Say's law of markets.
- (c) Mention two leakages of the multiplier.
- (d) Distinguish between Gross Investment and Net Investment.
- (e) Mention two assumptions of Keynes' General Theory.

3. Answer any *four* of the following questions : $5 \times 4 = 20$

- (a) What do you mean by National Income? What is the relation between National Income and Economic Welfare?
- (b) Explain the Inventory method of measurement of National Income.
- (c) Define consumption function. What are its technical attributes?

(3)

- (d) Give the difference between Autonomous Investment and Induced Investment. Explain the role of pump priming as a measure to stimulate private investment.
- (e) What is the relation between MEC and MEI?
- (f) Discuss the connection between the rate of interest and investment.

4. Answer any *four* of the following questions : $10 \times 4 = 40$

- (a) What is Net National Product? Distinguish between NNP at factor cost and NNP at factor prices. $2 + 8 = 10$
- (b) Give a model to explain the simplified circular flow of income in a two-sector economy. 10
- (c) Explain very briefly the classical theory of employment. How did Keynes refute the theory? $5 + 5 = 10$
- (d) What are the subjective and objective factors affecting consumption function? How can the propensity to consume be raised? $4 + 4 + 2 = 10$
- (e) What is investment multiplier? Explain the working of the multiplier. 10