2020

ECONOMICS — HONOURS

Paper : CC-1

(Introductory Microeconomics)

Full Marks : 65

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Section - A

1. Answer ***any ten*** questions : 2×10

(a) Write four opportunity costs of purchasing a story book.

(b) 'Price level will rise in next month.'— Is it a positive or normative sentence? — Explain.

(c) What is Production Possibility Curve?

(d) When income increases, a consumer can reduce consumption of a commodity. Is it possible? — Discuss.

(e) Mention two factors which can influence elasticity of demand.

(f) How supply of a commodity is influenced by the fall in input price?

(g) What will be the elasticity of supply of the steeper supply curve passing through origin? And what will be the elasticity of supply of flatter supply curve passing through same origin?

(h) When the demand is inelastic in nature, how total revenue will change, when price of the commodity will fall?

(i) When price of computer is increasing, how demand for small tab is influenced?

(j) What will be the situation of market, when there is effective price ceiling?

(k) When government has imposed an effective minimum wage in the labour market, what will be the condition of employment there?

(l) What is Law of Diminishing Marginal Utility?

(m) What will be the shape of indifference curve when two commodities are (i) left shoe and right shoe (ii) shoes and socks?

(n) What will be the value of income effect for (i) inferior good (ii) Giffen good?

(o) When will IC be concave to origin?

Section - B

2. Write short notes on ***any three*** of the following : 5×3

(a) Comparative advantage and gains from trade.

(b) Walrasian and Marshallian stability of equilibrium.

(c) Command economy versus mixed economy.

(d) Market adjustment with price floor and price ceiling.

(e) The relationship between total utility and marginal utility.

Section - C

Answer ***any three*** questions.

3. (a) What is elasticity of demand?

(b) Price elasticity of demand for gasoline is about 0·4. Price of a gallon of gasoline is ₹ 3000. Government wants to reduce the use of gasoline by 20%. By how much should it increase the price?

(c) What will be the shape of demand curve when elasticity of demand is one? 3+4+3

4. (a) Consider the market for eggs. With demand and supply diagrams, discuss how equilibrium price and quantity change when following happens.

(i) the price of foods of hens falls.

(ii) A medical study indicates that eating eggs is hazardous to health.

(b) With proper diagram, explain how

(i) the supply curve of 'Ghee' will be affected if the price of 'milk' rises,

(ii) the demand curve for 'rice bran oil' be affected if the price of 'sunflower oil' falls. 2½×4

5. Consider following demand function

$$Q_{TV} = -10P_{TV} + 0{\cdot}02M + 5P_{toy} + 2T$$

Where P_{TV} is the price of television, M is income, P_{toy} is the price of toy, T is quantitative index of taste, M = 10000, P_{toy} = 20, T = 5.

(a) Plot the demand curve and find its slope.

(b) If consumer's income increases to 25000, how it will affect demand function and curve?

(c) How products toy and television are related in consumption? 3+3+4

6. (a) Jaya always gets twice as much utility from an extra dance ticket as she does from an extra basket ball ticket regardless of how many tickets of either type she has. Draw Jaya's income-consumption curve and Engel curve for dance tickets.

(b) The utility functions of two goods X and Y is given as $U = X^{\alpha}Y^{1-\alpha}$. If prices of two goods are given as P_X and P_Y, show ICC will be straight-line through origin. 5+5

7. The demand and supply equations are

$$Q_d = 100 - 4P$$
$$Q_s = -50 + 6P$$

(a) Determine market clearing values of P and Q.

(b) If a tax of ₹ 5 is imposed on each unit sold, what will be new market clearing price?

(c) Who bears the greater burden of tax?

(d) Given the original demand and supply equations, if the government imposes a price ceiling of ₹ 14 per unit, how much is the shortage in the market?

(c) If the government offers a price support of ₹ 16 per unit, how much is the surplus? 2+4+2+1+1
