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Paper Code : BBA(N)-104

ECONOMICS(MICRO)

Time Allotted: 3 Hours   *Full Marks*: 70

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words
as far as practicable.

Group – A

(Multiple Choice Type Questions)

1. Choose the correct alternative for *any ten* of the following: 1×10=10

   (i) Demand curve is upward sloping for:

   (a) Inferior good   (b) Normal good

   (c) Giffen good   (d) None of these

   (ii) The magnitude of the price elasticity of demand for woolen garments during heavy cold in Delhi is

   (a) more than one.   (b) less than one.

   (c) equal to one.   (d) equal to zero.

   (iii) The right leg and left leg shoes are the examples of:

   (a) Perfect complementary goods   (b) Perfect substitute goods

   (c) Inferior goods   (d) Giffen goods

   (iv) The income elasticity of normal good is always

   (a) positive   (b) negative

   (c) 0   (d) None of these

   (v) An exception to the Law of supply is

   (a) Giffen goods   (b) Snob effect

   (c) Perishable goods   (d) None of these

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(vi) The value of price elasticity of demand at the mid-point of a demand curve is

(a) $e = 1$ (b) $e > 1$

(c) $e < 1$ (d) $e = 0$

(vii) Slope of an isoquant is given by

(a) $MR = dK/dL = MP_K/MP_L$ (b) $MRTS = dK/dL = MP_L/MP_K$

(c) $MRTS = (-dK/dL) = MP_L/MP_K$ (d) $MRTS = (-dK/dL) = MP_K/MP_L$

(viii) Output elasticity is given by

(a) $E_q = MP_L/AP_L$ (b) $E_q = AP_L/MP_L$

(c) $E_q = MP_L * AP_L$ (d) $E_q = (MP_L/AP_L) * 100$

(ix) The production function $Q = K^a L^b$, exhibits increasing returns to scale when

(a) $a + b > 1$ (b) $a + b = 1$

(c) $a - b = 1$ (d) $a - b > 1$

(x) Where $P = Min\ AVC$, it is called

(a) Shut down point   (b) Break down point

(c) Maximum profit point   (d) Maximum sales point

(xi) In a perfectly competitive market, elasticity of demand curve is

(a) 0   (b) 1

(c) ∞ (d) cannot be determined

(xii) Lerner's index of monopoly power is

(a) $\frac{1}{e}$ (b) e

(c) $\frac{1}{e} - 1$ (d) $\frac{e}{e-1}$

Group – B
(Short Answer Type Questions)
Answer *any three* of the following.   5×3=15

2. Can the labour supply curve by backward-bending if you consider a fixed working day that is decomposed between working hour and leisure time? Explain in brief.   5

3. Explain why the long run average cost curve is called an Envelop curve.   5

4. The demand and cost functions for a monopolist are as follows:

$$P = 140 - 3Q; C = 4Q + Q^2$$

Find out the equilibrium price and output. 5

5. What would be the shape of the iso-quant when (i) Labour and Capital are perfect substitutes to each other, (ii) the Marginal Rate of Technical Substitution for labour and capital is diminishing? (Use separate graphs) 5

6. What are ridge lines? Describe the economic range of production. 5

Group – C
(Long Answer Type Questions)
Answer *any three* of the following. 15×3=45

7. (a) What are the major determinants of own price elasticity of demand?

(b) Distinguish between cross price elasticity of demand and income elasticity of demand.

(c) What is the value of own price elasticity of demand for rice purchased in the open market, valuable soaps, fans in hot summer, ordinary clothes and multi-starrer movie ticket in the first day first show? 5+5+5=15

8. (a) How can you relate total product, average product and marginal product curves by considering the Law of Variable Proportions taking labour as the only variable factor in the production function?

(b) What is the relation between marginal product and average product? 10+5=15

9. (a) How is supply curve derived in a perfectly competitive market?

(b) What are the conditions for a competitive firm to break-even, shut down, earn super-normal profit and facing a loss? Show with appropriate graphs. http://www.makaut.com 6+9=15

10. (a) Explain why monopolistically competitive firm earns only normal profit in the long run. How does the long-run equilibrium of a monopolistically competitive firm differ from that of a purely competitive firm?

(b) What is a cartel? Explain the equilibrium of cartel. Why does a cartel tend to be unstable? 8+7=15

11. Write short note on *any three* of the following: 5×3=15

(i) Properties of Indifference Curve

(ii) Economic Rent and Quasi Rent

(iii) Perfect Competition versus Monopoly

(iv) Kinked demand curve model of Oligopoly

(v) Returns to scale and returns to factor

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