H – 1049

Reg. No. : ....

Name : ....

First Year B.A. Degree Examination, September 2019

Part III (Group – III) : Economics

Paper I : MICRO ECONOMICS

(2005 Admission onwards)

Time : 3 Hours

Max. Marks : 100

Answer may be written in English or in Malayalam.

I. Choose the correct answer. Write only the alphabet

1. Under cardinal utility theory consumer is in equilibrium

    (a) $MU_x = P_x/P_y$

    (b) $MU_x = P_x$

    (c) $MU_x/P_x = 0$

    (d) None of the above

2. In the case of luxury goods the income elasticity of demand will be

    (a) < 1

    (b) 1

    (c) > 1

    (d) All the above

3. Along an indifference curve MRS

   (a) Increases

   (b) Decreases

   (c) Constant

   (d) None of the above

4. A firm will close down in short run period, if AR is less than

   (a) MR

   (b) MC

   (c) AC

   (d) AVC

5. The Engel curve for a Giffen good is

   (a) negatively sloped

   (b) positively sloped

   (c) vertical

   (d) horizontal

(5 × 1 = 5 Marks)

II. State True or false

6. The conclusions drawn from the assumptions are called hypotheses

7. Micro economics deals with the economic behaviour of the entire economy

8. Every point on the contract curve is Pareto efficient points

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9. Oligopoly is a market organization in which there are a few sellers of a homogenous or a differentiated product.

10. What Average product reaches its maxima the marginal product is equal to average product?

<div align="right">(5 × 1 = 5 Marks)</div>

III. Fill in the Blanks

11. Utility is ————

    (a) Subjective

    (b) Objective

    (c) Structural

    (d) All the above

12. In modern theory average variable cost is ————

    (a) U shaped

    (b) Saucer Shaped

    (c) L shaped

    (d) None of the above

13. The demand curve for a giffen good is ————

    (a) Upward sloping

    (b) Downward sloping

    (c) Horizontal straight line

    (d) Vertical straight line

14. If Marginal Utility is positive but decreasing, then Total Utility is

   (a) Decreasing

   (b) Increasing

   (c) Maximum

   (d) First decreases and then declines

15. If price is Rs.10 and supply is 20 and if price increased by Rs.2 as a result of which supply increases by 5, then elasticity of supply is

   (a) 1

   (b) 1.25

   (c) 1.5

   (d) 1.75

(5 × 1 = 5 Marks)

IV. Define **any four** of the following.

16. Economic model

17. Utility

18. Quasi rent

19. Personal distribution

20. Selling cost

(4 × 1 = 4 Marks)

V. Answer **any seven** of the following. Each not more than half a page.

21. What are the basic assumption on which Price theory is built?

22. What is Engel's Curve?

23. Explain arc Elasticity of demand and how it is an improvement.

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24. What are the different external economies of scale?

25. What is opportunity cost?

26. Examine the relationship between Average cost and marginal cost?

27. Explain the marginal productivity theory of capital.

28. Examine Pigou's theory of welfare.

29. Explain returns to scale with the aid of isoquants.

30. Explain subsistence theory of wages.

(7 × 3 = 21 Marks)

VI. Answer **any six** of the following questions. Each not more than one page.

31. "Pareto Optimality is a necessary but not a sufficient condition for optimum social welfare" Elucidate.

32. Explain neo classical theory of interest.

33. How price and output is determined under perfect competition?

34. What is an Engel Curve? Derive Engel Curve for normal and inferior goods.

35. Illustrate the relationship between AR, MR and Price elasticity, both algebraically and graphically.

36. Compare Marshall's and Hicksian analysis of Consumer's Surplus

37. What are isocost line? Draw an isocost line given, $100L + 200K = 1000$ Where, L = Labour and K = Capital.

38. How LAC is derived under traditional theory of costs?

39. What are the uses and application of elasticity of demand?

40. Show that Cobb Douglas production function is homogeneous.

(6 × 5 = 30 Marks)

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VII. Answer **any three** of the following not exceeding three pages each.

41. Critically examine the theory of Revealed preference.

42. What is elasticity of demand? Explain different methods of measurement of price elasticity of demand.

43. What is law of variable proportions? Explain different stage of production when one input is variable.

44. What is price discrimination? How discriminating monopolists achieve equilibrium?

45. Explain Pareto optimality as a criteria of welfare maximisation and elucidate its marginal conditions.

46. Explain Keynesian Liquidity Preference Theory of interest.

(3 × 10 = 30 Marks)