

MA ECONOMICS  
FIRST SEMESTER [SPECIAL REPEAT]  
MICRO ECONOMIC ANALYSIS-I  
MEC – 101

**SET  
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

**(Objective)**

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

- If marginal costs equal average total costs
  - Average total costs are falling
  - Average total costs are maximized
  - Average total costs are rising
  - Average total costs are minimized
- The efficient scale of production is the quantity of output that minimizes
  - Average fixed cost
  - Average variable cost
  - Average total cost
  - Marginal cost
- The cost function is  $C = 8 + 4q + q^2$ . then MC is
  - $4 + 2q$
  - $2q$
  - $2 + q^2$
  - $4 + q^3$
- The slope of indifference curve is given by
  - MRS
  - MRTS
  - MC
  - Price of the goods
- If the MRS is increasing then the indifference curve will be
  - Concave
  - Vertical
  - Convex
  - Horizontal
- The determinants of budget line is
  - Price only
  - Price and income
  - Income and supply
  - Income only
- By joining the tangent point of budget line and indifferent curves we get the
  - ICC
  - PCC
  - AVC
  - ATC
- In constant elasticity of substitution production function if the value of beta is zero, then elasticity of substitution is
  - One
  - Infinity
  - Zero
  - None of the above
- Suppose there is three outcome A, B and C, out of which A and C are uncertain and B is certain, now if the expected utility of A and C is 86 and utility of B is 82 then B will be
  - Accepted
  - Rejected
  - Indifference
  - None of the above

10. If the total utility 750, quantity brought is 8 unit and market price is Rs 80 then consumer surplus is
- 110
  - 120
  - 220
  - 130
11. If an increase in the price of blue jeans leads to a decrease in the demand for tennis shoes, then blue jeans and tennis shoes are
- Complements
  - Inferior goods.
  - Normal goods
  - substitutes
12. That the supply curve for ice cream cones is upward sloping indicates that
- The marginal cost of providing ice cream cones increases as more cones are produced
  - As the price of ice cream cones increases, the production technology is upgraded
  - As the price increases, the opportunity cost of making ice cream cones decreases
  - All of the above
13. If the price of a good is above the equilibrium price, then there will be
- Excess supply and the price will rise.
  - Excess demand and the price will fall.
  - Excess demand) and the price will fall
  - Excess supply and the price will fall.
14. An inferior good is one for which an increase in income causes
- Decrease in supply
  - Increase in demand
  - Increase in supply
  - Decrease in demand
15. In the long run, if a very small factory were to expand its scale of operations, it is likely that it would initially experience
- An increase in average total costs.
  - Economies of scale
  - Diseconomies of scale
  - Constant returns to scale
16. An increase in demand will increase total revenue in that market if
- Demand is price inelastic
  - Supply is price elastic
  - Supply is price inelastic
  - demand is price elastic
17. If supply is price inelastic, the value of the price elasticity of supply must be
- Infinite
  - Zero
  - Less than 1
  - Greater than 1
18. When MC is \_\_\_\_\_ than AC ,AC falls , and when MC is \_\_\_\_\_ than AC , AC rise
- Greater, less
  - Greater, equal
  - Zero, unity
  - Less, greater
19. If the price of x is Rs 12 and price of y is Rs 30 what is the slope of the budget line
- 0.6
  - 0.4
  - 0.8
  - 0.1
20. The reduction in income to cancel the gain from a fall in price is called
- Cost difference
  - Equivalent variation in income
  - Imposition of lump sum tax
  - Compensation variation in income

**( Descriptive )**

Time : 2 Hr. 30 Mins.

Marks : 50

[ Answer question no.1 & any four (4) from the rest ]

1. What is marginal productivity? Explain the law of variable proportion? 2+8=10
2. What is compensating variation in Income? Explain the Hicksian approach of breaking the price effect into substitution and income effect. 2+8=10
3. Explain the concept of income consumption curve, what will be the shape of ICC when X is an inferior good and Y is a normal good 6+4=10
4. Define the indifference curve. Explain any two properties of indifference curve with diagrams. 2+8=10
5. Given a cost function,  $TC = 100 + 50Q - 12Q^2 + Q^3$ , determine 4+4+2=10
  - a) TFC, TVC, AVC, MC
  - b) Calculate TC, ATC, AVC, MC, when level of output is 10 units
  - c) Calculate the level of output at which AVC is minimum.
6. Explain the mathematical derivation the following two properties of cobb- douglas production function 5+5=10
  - a) The co-efficient  $\alpha$  and  $\beta$  represent the output elasticity co-efficient of labour and capital
  - b) The C-D production function is fully correspondent with Euler's theorem.
7. What is economics of scale and diseconomies of scale? What are the reasons of internal economics of scale 4+6=10
8. What is budget line? Explain the derivation of budget line with an example 3+7=10

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