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63/1 (SEM-2) CC3/ECOHC2036

2025

ECONOMICS

Paper : ECOHC2036

(Intermediate Microeconomics – I)

Full Marks : 80

Pass Marks : 32

Time : Three hours

The figures in the margin indicate full marks for the questions.

1. Choose the correct answer : **(any six)**

1×6=6

(a) What is the slope of the budget constraint ?

(i) $-PX/PY$

(ii) PX/PY

(iii) $-PY/PX$

(iv) PY/PX

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Contd.

- (b) Which of the following is a Source of economics of scale ?
- (i) Increasing returns to scale
 - (ii) Decreasing returns to scale
 - (iii) Constant returns to scale
 - (iv) Diminishing marginal product
- (c) Who developed the revealed preference theory ?
- (i) Paul Samuelson
 - (ii) John Hicks
 - (iii) Alfred Marshall
 - (iv) Kenneth Arrow
- (d) What does the Slutsky equation help to explain ?
- (i) The law of demand
 - (ii) The law of supply
 - (iii) The effect of price changes on consumer behavior
 - (iv) The effect of income changes on consumer behavior

- (e) What is the shape of the short-run average total cost curve ?
- (i) U-Shaped
 - (ii) Downward sloping
 - (iii) Upward sloping
 - (iv) Horizontal
- (f) What is the primary source of monopoly power ?
- (i) Economies of scale
 - (ii) Government regulations
 - (iii) Barriers to entry
 - (iv) Perfect competition
- (g) Isoquants always slope.
- (i) Horizontal to x-axis
 - (ii) Upwards to the right
 - (iii) Vertical and parallel to y-axis
 - (iv) Downwards to the right

- (h) Which is a characteristics of a monopoly market structure?
- (i) Many firms competing with each other
 - (ii) A single firm supplying the entire market
 - (iii) Free entry and exit from the market
 - (iv) Perfectly elastic demand curve
- (i) Sellers in perfect competition are –
- (i) Price maker
 - (ii) Wealthy
 - (iii) Price taker
 - (iv) Poor
- (j) Which utility is added to the total utility by consuming one additional unit of the commodity?
- (i) Ordinal utility
 - (ii) Total utility
 - (iii) Average utility
 - (iv) Marginal utility

2. Answer the following questions : **(any five)**
2×5=10
- (a) What is the reason behind a convex indifference curve?
 - (b) What does revealed preference theory imply about a consumer's preferences when they choose bundle A over bundle B?
 - (c) Define the concept of diminishing marginal utility.
 - (d) What happens to the budget line when income increases?
 - (e) Write the features of a firm under perfect competition.
 - (f) What does a movement along an isoquant curve indicate?
 - (g) What is the primary goal of technological progress in production?
3. Answer the following questions : **(any six)**
5×6=30
- (a) Explain the relationship between the budget constraint and indifference curve in achieving consumer's equilibrium.

- (b) What is asymmetric information and how does it affect market outcomes?
- (c) Describe the characteristics of a monopoly market.
- (d) Explain the long-run equilibrium of a perfectly competitive firm.
- (e) Distinguish between labour intensive and capital intensive technical progress.
- (f) How can a firm's production function exhibit different returns to scale at different levels of output?
- (g) What is an isoquant? Explain the properties an isoquant.
- (h) Describe the moral hazard problem that arises from hidden action with an example.
- (i) Write the differences between signaling and screening in the context of information asymmetry?
- (j) Outline the concept of price discrimination in a monopoly. How can a monopolist use price discrimination to increase profits?

4. Answer the following questions : **(any two)**
10×2=20
- (a) How can the principal agent problem lead to moral hazard and adverse selection and what are the potential consequences for market outcomes?
5+5=10
 - (b) Explain how the prices of factors of production are determined in a perfectly competitive market. What role do supply and demand play in determining factor prices?
6+4=10
 - (c) Explain the concept of revealed preference theory and how it differs from traditional utility theory.
5+5=10
 - (d) Analyze the role of leisure in the backward-bending supply curve of labor.
5. Answer the following questions : **(any one)**
14×1=14
- (a) Explain the concept of utility in economics, including the difference between cardinal and ordinal utility. Discuss the assumptions underlying utility theory and its relevance to understanding consumer behavior.
6+4+4=14

(b) Analyze the substitution effect and income effect in the Slutsky equation. Discuss the implications of the Slutsky equation for understanding consumer responses to price changes, including the demand for normal and inferior goods. $6+8=14$

(c) Explain the law of variable proportions. Describe the *three* stages of production and the behavior of total product, marginal product, and average product as the quantity of the variable factor increases. $8+2+2+2=14$
