

FIRST SEMESTER BA DEGREE EXAMINATION, NOVEMBER 2023**(Supplementary- 2018 Admission)****ECONOMICS****AECO1B01T: MICRO ECONOMICS-1****Time: 3 Hours****Maximum Marks: 80****PART A: Answer *all* the questions. Each carries *half* marks.**

1. Microeconomic theory studies how a free enterprise economy determines:
(a) The price of goods. (b) The price of services.
(c) The price of resources. (d) All of the above.
2. The contraction of demand is due to:
(a) Decrease in income. (b) Decrease in price.
(c) Increase in price. (d) Change in the prices of related products.
3. What is true for inductive method?
(a) Hypothetical. (b) Empirical.
(c) Ignores experimentation. (d) None of the above.
4. Which of the following is a cardinalist approach to demand analysis?
(a) Indifference curve analysis. (b) Revealed preference theory.
(c) Marshallian utility analysis. (d) Production possibility curve.
5. In the case of luxury goods, the income elasticity of demand will be:
(a) Less than unity. (b) Unity. (c) More than unity. (d) Zero.
6. The demand curve for Giffen's good is:
(a) Vertical. (b) Horizontal. (c) Negative slope. (d) Positive slope.
7. What is called as 'Producer's Indifference Curve'?
(a) Transformation curve. (b) Indifference curve. (c) Isoquant. (d) Isorevenue line.
8. The producer is in equilibrium when:
(a) Isocost line and isoquant are parallel. (b) Indifference curve and budget line are parallel.
(c) Isocost line is tangent to isoquant. (d) Budget line is tangent to indifference curve.
9. As we move from left to right through an indifference curve, MRS of X for Y:
(a) Increases. (b) Decreases. (c) Remains the same. (d) Both (a) and (b).
10. The LAC falls as output expands due to:
(a) Economies of scale. (b) Diseconomies of scale.
(c) The law of diminishing returns. (d) All of the above.
11. In modern theory, average variable cost curve is:
(a) U-shaped. (b) Saucer shaped. (c) Rectangular hyperbola. (d) Horizontal.
12. The elasticity of substitution for a linearly homogenous Cobb Douglas production function is:
(a) Greater than unity. (b) Unity. (c) Less than unity. (d) Zero.

(12 x 1/2 = 6 Marks)**(PTO)**

PART B: Answer any *ten* questions. Each carries *two* marks.

13. What is an economic model?
14. Define cost function.
15. What is an inferior good?
16. What do you mean by Marginal Rate of Technical Substitution (MRT)?
17. What are the implications of a perfectly elastic demand curve?
18. What do you mean by normative analysis?
19. Define market equilibrium.
20. Distinguish between private cost and social cost.
21. Define elasticity of substitution.
22. Explain the concept of margin.
23. Differentiate between average variable cost and average fixed cost.
24. State the law of diminishing marginal utility.

(10 x 2 = 20 Marks)

PART C: Answer any *six* questions. Each carries *five* marks.

25. Distinguish between deductive and inductive method of theorizing.
26. Briefly explain the returns to scale and returns to a variable factor.
27. Elucidate Hicksian method of measuring consumer's surplus.
28. Explain substitute and complementary goods on the basis of cross elasticity of demand.
29. Critically examine revealed preference theory.
30. Explain the least combination method to attain producer equilibrium.
31. Briefly explain the short run average variable cost curve in the modern theory.
32. What do you mean by 'changes in demand' and 'changes in quantity demanded'?

(6 x 5 = 30 Marks)

PART D: Answer any *two* questions. Each carries *twelve* marks.

33. Explain the decomposition of price effect into income effect and substitution peffect using Hicksian approach.
34. Describe the shape of long run average cost curve.
35. Critically examine the law of variable proportions.
36. Examine scarcity and choice as the central economic problem of a free enterprise economy.

(2 x 12 = 24 Marks)