

2018

CBCS

3rd Semester

ECONOMICS

PAPER—C5T

(Honours)

Full Marks : 60

Time : 3 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Intermediate Microeconomics-I

Answer all questions

Group—A

1. Answer any ten questions :

10×2

(a) What do you understand as *compensating variation* ?

(b) What is *homothetic Production Function* ?

(Turn Over

- (c) What is elasticity of substitution ?
- (d) Distinguish between return to a factor of production and returns to scale.
- (e) What is isocline ?
- (f) Distinguish between internal economics and external economics.
- (g) What is derived demand ?
- (h) Define value of marginal product of labour (VMP_L)
- (i) What is production set ?
- (j) What is monotonicity in technology ?
- (k) What is expansion path ?
- (l) Write down the Von-Neuman-Morgenstern utility function.
- (m) Write the Slutsky equation in a two-commodity framework.
- (n) Prove that the demand function is homogeneous of degree zero in prices and income.

- (o) Define the point of inflexion for a short run production function.

Group—B

2. Answer any four questions :

4×5

- (a) Explain the relationship between diminishing marginal rate of technical substitution (MRTS) and deminishing marginal product of factors of production.
- (b) State and explain the properties of cobb-Douglus production function.
- (c) Explain why the labour supply functions may be backward bending.
- (d) Explain with a suitable diagram how long run average cost curve of a firm can be derived from the short run average cost curves of that firm.
- (e) Derive the supply function of a firm in a perfectly competitive market in the short run.
- (f) What is price consumption curve ? Derive the demand curve from the price consumption curve for an individual consumer.

Group—C

3. Answer any *two* questions : 2×10
- (a) What are the axioms of 'Revealed Preference Theory'?
Derive the demand curve of a consumer using the axioms of Revealed Preference Theory. 4 + 6
- (b) What do you understand by decreasing cost industry? Derive the long run industry supply curve in a perfectly competitive market for a decreasing cost industry and comment on its slope. 3 + 7
- (c) State and prove the product exhaustion theorem, clearly stating its assumptions. What are the limitations of this theorem? 7 + 3
- (d) Define the CES production function and explain its parameters. Prove that the Cobb-Dauglas production function is limiting case of the CES production function. 5 + 5
-