

Ex/ARTS/ECO/UG/MAJOR/ TH/11/101/2025

BACHELOR OF ARTS EXAMINATION, 2025

(1st Year, 1st Semester)

ECONOMICS

PAPER : ECO/UG/MAJOR/TH/11/101

[Principles-I (Microeconomics (Major))

Time : Two Hours

Full Marks : 30

CO1 : Answering the question given below is compulsory.

5×1=5

1. What do you mean by ‘opportunity cost’? What is the opportunity cost of using an apartment that you own for running a business? What is the opportunity cost of using your own labour for that business? 2+1+2=5

CO2 : Answer *any* 2 out of 3 questions.

5×2=10

2. Provide a diagram to show that convex indifference curves can be associated with a corner solution (zero quantity of one of the two goods in consumer equilibrium). Provide another diagram to show the case of multiple equilibria in case of perfect substitutes. 3+2=5

ECO-1110

[Turn Over]

(2)

3. “The weighted average of income elasticities facing a consumer, with weights suitably chosen, is equal to 1”. Is this statement true or false? Give a proof to support your answer. 1+4=5
4. “The sum of buyer’s and seller’s burden caused by a per unit tax t is itself”. Is this statement true or false? Give a proof to support your answer. 1+4=5

CO3 : Answer any 2 out of 3 questions. 5×2=10

5. Explain deadweight loss under monopoly with the help of a diagram and why under perfect price discrimination there is no welfare loss. 3+2=5
6. Consider the following functional form for total variable cost: $TVC = q^2$ where notation have their usual meaning. If Total Fixed Cost (TFC) is 9, find the level of q at which Average Total Cost (ATC) is minimized. Show that at this level of q , $MC=ATC$. 3+2=5
7. Consider the production function, $Q = K^{0.5}L^{0.5}$. Find the long run cost function as well as the long-run average cost function. Explain the statement that “the long run average cost function is an envelope of short-run average cost curves”. 3+2=5

(3)

CO4 : Answering the question given below is compulsory.

5×1=5

8. Explain determination of the market demand curve for labour under perfect competition. 5

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