

**EX/ARTS/ECO/UG/MDC/TH/11/101/2025**

**BACHELOR OF ARTS EXAMINATION, 2025**

**(1<sup>st</sup> Year, 1<sup>st</sup> Semester)**

**IDC/MDC - ECONOMICS**

**MICROECONOMICS**

*Time : Two Hours*

*Full Marks : 30*

*Attempt Question(s) from each CO as per instructions.*

**CO 1**

1. Use demand and supply curves to illustrate how each of the following events would affect the price of tea and quantity of tea bought and sold :
  - (a) an increase in the price of coffee;
  - (b) a decrease in average income level. 3+3=6

**( OR )**

If a 3 percent increase in the price of corn flakes causes a 6 percent decline in the quantity demanded, what is the elasticity of demand? Is cross-price elasticity of demand always positive? Explain the difference between a shift in the demand curve and a movement along the demand curve. 1+2+3=6

**CO 2**

2. Explain why two indifference curves cannot intersect. Define Marginal Rate of Substitution (MRS). What happens to MRS as you move along (a) convex and (b) linear indifference curves? [3+1+(2+2)=8]

**ECO-1113**

*[ Turn Over ]*

( 2 )  
( OR )

Draw a budget line and indifference map to illustrate the satisfaction-maximizing choice associated with two goods. Explain why the MRS between two goods must equal the ratio of the price of the two goods for the consumer to achieve maximum satisfaction. 5+3=8

3. What is isocost line? What does the expansion path show? Define Decreasing Returns to Scale. 2+2+2=6

( OR )

What are the components of total cost of production in the short-run? What is the marginal cost of production? Describe the relationship between the average and marginal costs of production in the short-run. 3+1+2=6

CO 3

4. Describe the short-run equilibrium situation of a perfectly competitive firm when it (i) makes a positive profit and (ii) incurs a loss. 3+3=6

( OR )

Describe how a monopolist determines the equilibrium price and output in the short-run. 6

CO 4

5. Describe how the demand curve for labour is obtained under perfect competition in both factor and product markets. 4

( 3 )  
( OR )

Distinguish between Value of Marginal Product of Labour ( $VMP_L$ ) and Marginal Revenue Product of Labour ( $MRP_L$ ).  
When is  $VMP_L$  greater than  $MRP_L$ ? 3+1=4

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