

**Ex/ECO/B/C1.1(OLD)/2024(OLD)**

**BACHELOR OF ARTS EXAMINATION, 2024 (OLD)**

**(1st Year, 1st Semester)**

**ECONOMICS**

**PAPER : ECO/B/C1.1(OLD)**

**[ Introductory Microeconomics (Old) ]**

*Time : Two Hours*

*Full Marks : 30*

Answer **5** out of **7** questions.

1. Distinguish between shift and movement along the demand and supply curves. What happens to equilibrium price and quantity in the market for ice-creams if the weather becomes hotter and the price of sugar (an input into ice-cream making) increases? 3+3=6
2. Distinguish between normal and inferior goods. Show that all goods consumed by consumers in an economy cannot be inferior goods. 3+3=6
3. Draw indifference curves for the case of perfect substitutes. Derive the indirect utility function for this case. 3+3=6
4. Explain the concept of deadweight loss under monopoly. Give an example of price discrimination used by monopolists. 3+3=6

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*[ Turn Over ]*

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5. Explain the concept of supernormal profits under perfect competition. Why do supernormal profits lead to entry of new firms? Starting from long run equilibrium, how can the shift of the market demand curve lead to supernormal profits? Explain with the help of a diagram. 1+2+1+2=6
6. Explain the relationship between the marginal cost curve and average variable cost curve when the marginal cost curve is U shaped. Also explain the relationship between the marginal cost curve and the average total cost curve. 3+3=6
7. Draw the demand curves for the cases of (i) elasticity of demand equalling unity and (ii) elasticity of demand equalling zero. What happens to total revenue if price increases in case? 4+2=6

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