

Ex/ARTS/ECO/UG/MAJOR/TH/11/101/2024

BACHELOR OF ARTS EXAMINATION, 2024

(1st Year, 1st Semester)

ECONOMICS

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

[Principles – I (Microeconomics) (Major)]

Time : Two Hours

Full Marks : 30

Answer **any five** questions out of **seven** questions 6×5=30

1. Distinguish between a “shift of” and “movement along” the demand and supply curves. Use ‘shifts’ to explain what happens in the market for ice-cream if the weather suddenly becomes much hotter and the price of sugar, used to make ice-cream, increases. 2+4=6
2. When indifference curves are convex, are corner solutions possible? Explain your answer. Under what assumptions are concave indifference curves possible? Explain. 1+2+1+2=6
3. Define ‘normal’ and ‘inferior’ goods. Show that a weighted average of income elasticities of demand equals 1. Can all goods be luxuries? Explain your answer. 2+2+1+1=6

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[Turn Over]

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4. Show that any two-good Cobb-Douglas utility function can be suitably transformed to generate the expenditure shares of the two goods in equilibrium. 6
5. “Short run cost is never less than long run cost and the long run average cost is the envelope of short run average cost curves.” Explain this entire statement in a precise manner. 6
6. Compare the case of monopsony in the labour market to the social optimum in terms of wage and employment. 6
7. “There is no supply curve under monopoly”. Do you agree with this statement? Explain your answer. Is it true that perfect price discrimination under monopoly gives rise to socially optimal output? Explain your answer. 1+2+1+2=6

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