BACHELOR OF ARTS EXAMINATION, 2024

(1st Year, 1st Semester)

ECONOMICS

PAPER : ECO/UG/MINOR/TH/11/101A

[Principles – I (Microeconomics) (Minor)]

Time : *Two Hours*   *Full Marks* : 30

Answer *any* **5** out of **7** questions   6×5=30

1. What is the price elasticity of supply if the supply curve passes through the origin? If price elasticity of demand is greater than one, why does total revenue decline if price increases?
3+3=6

2. When marginal cost curve is U shaped explain the reason for discontinuity in the firm level supply curve under perfect competition. Can this discontinuity be a reason for market failure?
4+2=6

3. What is the difference between positive and normative statements? Explain how belief in a positive statement can affect the type of normative statements a person makes?
3+3=6

4. Explain why the long run average cost curve is the envelope of short run average cost curves. What form does the long run total cost function take when 1 unit of capital is a perfect substitute for 1 unit of labour? Note that capital and labour are the only inputs in the production function.   3+3=6

5. Why does monopoly not have a supply curve? Explain with an example how the monopolist can use price discrimination to increase profit.   3+3=6

6. Assume a perfectly competitive market for labour. Show how the market demand curve for labour is derived. What happens to the equilibrium wage if the price of the good being produced increases?   3+3=6

7. What is the shape of the indifference curve between a good and a bad? If the two goods determining utility are perfect complements what is the form of the indirect utility function?   3+3=6

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