**BA (Honours) Examination, 2023**
Semester-I (CBCS)
Course: CC-1
**(Introductory Microeconomics)**

Time: 3 hours

Full Marks: 60

Questions are of value as indicated in the margin

*Answer **two** questions from each group*

### Group A

Answer **Question no 1** *and* **any one** from the rest of the following questions

1. a.   A person likes soft drinks but does not distinguish between brands A and B.

   (i)    Draw his indifference curves showing brands A and B on two axes.

   (ii)   Draw his indifference curves showing soft drinks and other goods on two axes.

   b.   Show that inferiority of a good is necessary for its being Giffen.

   c.   Explain the following statement. The distance between two indifference curves is immaterial; the only relevant issue is which is higher and which is lower.

   (4+3)+5+3

2. a.   What does the term "ceteris paribus" mean? How does it relate to the distinction between a change in quantity demanded and change in demand?

   b.   If the equation for a market demand curve is $Q_d = 10 - 4P$, and the equation for the market supply curve is $Q_s = 4P$, find the market equilibrium price and quantity. Verify your answer graphically.

   7+8

3. a. Explain why economists usually oppose controls on prices?

   b. Explain Non-binding price ceiling in detail.

   c. Why does a reduction in the price of a good increase consumer surplus?

   5+5+5

Answer any **two** questions from the following:

4. (a) What is a production function? How does a long run production function differ from a short run production function?

(b) Assuming that prices of factors of production are given, show how a firm minimises her cost to produce a certain level of output defined by an iso-quant.

(c) If a firm's average cost curve is U-shaped, why does its average variable cost curve achieve its minimum at a lower level of output than the average total cost curve.

(d) Why is the marginal product of labour likely to increase initially in the short run as more of the variable input is hired?

(1+2)+5+4+3

5. (a) Derive the short-run supply curve of a perfectly competitive firm. How do you get short run industry supply curve?

(b) Explain why a competitive firm cannot make excess profit in long run equilibrium. How do you define normal profit?

8+7

6. (a) A monopolist is producing at a point at which marginal cost exceeds marginal revenue. How should it adjust its output to increase profit?

(b) Why is there no unique supply curve under conditions of monopoly?

(c) Why is there a social cost to monopoly power? If the gains to producers from monopoly power could be redistributed to consumers, would the social cost of monopoly power be eliminated? Explain briefly.

4+5+6

7. Why is demand for an input called derived demand? Derive an individual Firm's demand curve for a variable input. Do you agree with the view that "the supply curve of a factor such as labour need not be upward-sloping"?

2+5+8

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