

B.A. (Honours) Examination, 2018
Semester-III (CBCS)
Economics
Course: CC-5 (Core)
(Intermediate Microeconomics-I)

Time: Three Hours

Full Marks: 60

Questions are of value as indicated in the margin
Answer *any four* questions

1. (a) What are the different axioms of consumers preference?
(b) Consider a group of people A, B, C and the relation “strictly taller than”. Is this relation transitive? As it reflexive? Is it complete?
(c) Show that the Cobb-Douglas preference and preference with perfect substitutes are homothetic preference. 6+3+6=15
2. (a) Explain the primary difference between the Hicksian and Slutsky methods of decomposing the substitution effect and the income effect.
(b) State and prove Roy’s identity. 10+5=15
3. (a) Explain the weak axiom of Revealed Preference (WARP). What is its difference with strong axiom of Revealed Preference?
(b) When prices are $(p_1, p_2) = (1, 2)$ a consumer demands $(x_1, x_2) = (1, 2)$ and when prices are $(q_1, q_2) = (2, 1)$ the consumer demands $(y_1, y_2) = (2, 1)$. Is this behaviour consistent with WARP? Will the behaviour remain consistent if the prices are changed such as $(p_1, p_2) = (2, 1)$ and $(q_1, q_2) = (1, 2)$ 10+5=15
4. (a) What happens to the supply curve of labour when wage rate increases and why?
(Assume that leisure is a normal good).
(b) A consumer who is initially a lender remains a lender even after a decline in interest rates. Is this consumer better off or worse off after the change in interest rates? If the consumer becomes a borrower after the change is he better off or worse off? Show with the help of figure. 10+5=15
5. (a) With one variable factor of production, identify the different stages of production. In which stage will a profit maximizing firm produce and why?
(b) (i) Show that in the Cobb-Douglas production function the marginal productivities of Labour and capital depend on the ratio of two factors.
(ii) Show that for Cobb-Douglas production function the average and marginal products decline from outset. 10+2½+2½=15

P.T.O.

(2)

6. (a) "A homothetic function may not be homogenous function" Is it true? Explain with example.
- (b) State and prove different properties of homogenous production function. $3+12=15$
7. (a) Explain the Breakeven point and shut down point of a firm under conditions of perfect competition.
- (b) Explain how will you derive long run industry supply curve under conditions of perfect competition. (Consider only the standard case) $5+10=10$
8. (a) How is the law of diminishing marginal returns related to the shape of the short run marginal cost curve?
- (b) Show with the help of figure that the long run marginal cost curve is not the envelope of the short run marginal cost curve. $5+10=15$
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