FIRST SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2014

(CUCBCSS–UG)

Core Course

Economics

ECO IB 01 - MICRO ECONOMICS – I

(Common for Development Economics – Economics Foreign Trade and Economics with Islamic Finance)

Time : Three Hours
Maximum : 80 Marks

*Answers may be written **either** in English **or** in Malayalam.*

Part A

*Answer all **twelve** questions.*

1. Systematic Explanation of observed phenomena in terms of a set of basic rules and assumption is called :

    (a) Hypothesis.
    (b) Model.

    (c) Theory.
    (d) Prediction.

2. Statement that describe relationship of cause and effect is called

    (a) Ideology.
    (b) Value judgement.

    (c) Normative Statement.
    (d) Positive Statement.

3. The curve that shows all the alternative combinations of two consumption goods that yield the same utility is :

    (a) Demand Curve.
    (b) Indifference Curve.

    (c) Production Possibility Curve.
    (d) Cost Curve.

4. Intersection of indifference curves is illogical because :

    (a) More is better than lesser.
    (b) diminishing marginal utility.

    (c) Transitivity assumption.
    (d) both a and c.

5. Suppose that the price elasticity of demand for a Compact Disk has been estimated at '2'. If quantity demanded of CD to increase by 10 percent, the price must have been changed by :

    (a) 5 percent.
    (b) 0 percent.

    (c) 10 percent.
    (d) 100 percent.

Turn over

6. If an increase in the price of one good leads to an increase in the quantity demanded of another good, then, these two goods are :

    (a) Complementary goods.   (b) Substitute goods.

    (c) Giffen goods.   (d) Merit Goods.

7. If the income elasticity of a good is greater than zero, then the good is

    (a) Normal good.   (b) Inferior good.

    (c) complimentary god.   (d) Substitute good.

8. If consumers spend Rupees 15 million a month on Cell phone Recharge Coupons, regardless of whether the price they pay goes up or down, then, the price elasticity of demand for these Recharge Coupons is :

    (a) 0.   (b) 1.

    (c) ∞ (d) 15.

9. A normal good can be defined as one which consumers purchase more of as :

    (a) prices fall.   (b) prices rise.

    (c) incomes fall.   (d) incomes increase.

10. The indifference curve of perfect substitute goods is :

    (a) Straight line.   (b) Right angles.

    (c) Concave.   (d) convex to the origin.

11. The Marginal Rate of Technical Substitution between perfectly substitutable inputs is :

    (a) Negative.   (b) Positive.

    (c) Constant.   (d) Indeterminate.

12. In Revealed Preference Theory, the consumer's choice is :

    (a) Weakly ordered.   (b) Strongly ordered.

    (c) indifferent.   (d) All of these.

(12 x ½ = 6 marks)

Part B

Very short answer type questions.
Answer any ten *questions.*

13. What is a production function ?

14. What is meant by isoquant ?

15. Write a note on Returns to Scale.

16. What do you mean by consumer surplus ?

17. What is Giffen Good ?

18. Distinguish between Positive analysis and Normative Analysis.

19. What is Budget Line ?

20. Write a note on Marginal product and Average product.

21. What are the properties of an indifference curve ?

22. Define the concept elasticity.

23. What is meant by cardinal utility analysis ?

24. What do you mean by a model ?

(10 x 2= 20 marks)

Part C

Short essay questions answer any six *questions.*

25. Explain the Law or Diminishing Marginal Utility.

26. Briefly explain the scope of Microeconomics.

27. Explain the degrees of price elasticity of demand.

28. Explain the derivation of Engel Curve.

29. Explain the effect of price changes on consumption with price consumption curve.

30. Explain with suitable diagram the income and substitution effect for Giffen good.

31. Explain the Hicksian substitution effect.

32. Explain with suitable examples the concepts Total product, Average product and Marginal product.

(6 x 5 = 30 marks)

Part D

Essay questions.
Answer any **two** *questions.*

33. Critically Explain the Revealed Preference Theory.

34. Explain the derivation of demand curve from price consumption and income consumption curves.

35. Critically examine the laws of returns to scale.

36. Explain the laws of Variable proportion.

(2 x 12 = 24 marks)