

SECOND SEMESTER B.A. DEGREE EXAMINATION, MAY 2015

(CUCBCSS—UG)

Complementary Course

ECO 1001 AND ECO 2C01—ESSENTIALS OF ECONOMICS—MICRO AND MACRO

Time Three Hours

Maximum : 80 Marks

Answer may be written either in English or in Malayalam.

Section A : Part I

*Multiple Choice Questions.**Answer all questions.*

- The cost of the next best alternative forgone is called :
 - Nominal cost.
 - Real Cost.
 - Pecuniary cost.
 - Opportunity cost.
- A market structure, in which there is only single seller is called :
 - Monopsony.
 - Oligopoly.
 - Monopoly.
 - Duopoly.
- In a production function, if the increase in total output is less than proportional to increase in inputs, the returns to scale is said to be :
 - Constant.
 - Increasing.
 - Diminishing.
 - Indeterminate.
- The price elasticity of demand states that, *ceteris paribus*, if the change in quantity demanded is more than proportionate to change in price. then elasticity of demand is :

$$(a) \frac{\Delta Q}{\Delta P/P} = 1, \text{ unity.}$$

$$(b) \frac{\Delta Q}{\Delta P/P} > 1, \text{ elastic.}$$

$$(c) \frac{\Delta Q}{\Delta P/P} < 1, \text{ inelastic.}$$

$$(d) \frac{\Delta Q}{\Delta P/P} = 0, \text{ perfectly inelastic.}$$

- When AC falls, MC :

- Is less than AC.
- Is more than AC.
- Cuts AC from below.
- Rises.

Turn over

6. Diversification of its products by a large Firm is an example of :
- (a) Technical economies. (b) Risk-bearing economies.
(c) Economies of indivisibility. (d) Marketing economies.

Section A : Part II

Answer **all** questions.

7. MPC is defined as :

- (a) C/Y . (b) $\Delta C/\Delta$
(c) Y/C . (d) $\Delta Y/\Delta C$.

8. Nominal GNP measures output at :

- (a) Current price. (b) Constant price.
(c) Factor price. (d) None of these.

9. GNP—Depreciation is :

- (a) NDP. (b) NNP.
(c) Disposable Income. (d) Per-capita Income.

10. In an equation $Y = AC + AS$, where $AC = 150$; and $AS = 50$; the MPS is :

- (a) 0.25. (b) 0.50.
(c) 0.75. (d) 1.

11. Which among the following the book written by J.M. Keynes ?

- (a) Principles of Economies. (b) General Theory.
(c) Wealth of Nations. (d) Treatise on Depression.

12. The multiplier and MPS are :

- (a) Directly related. (b) Inversely related.
(c) Indeterminate. (d) Not related.

(12 x ½ = 6 marks)

Section B : Part I

Very Short Answer Type Questions.

Answer any **five** questions.

13. Distinguish between micro and macro economics.
14. What is utility function ?
15. State the law of demand.
16. What is a supply schedule ?

17. Define cross elasticity of demand.
18. What is an isoquant ?

Section B : Part II

Answer any five questions.

19. Define per-capita income.
20. Define multiplier.
21. Define GDP.
22. Write a note on income method of National Income estimation.
23. Distinguish linear and non-linear consumption function.
24. What is meant by full employment ?

(10 x 2 = 20 marks)

Section C : Part I

Short Essay Questions.
Answer any three question.

25. What are the classifications of market ?
26. Explain homogeneous production function.
27. Distinguish between arc elasticity and point elasticity.
28. What are economies of scale ?

Section C : Part II

Answer any three questions.

29. Distinguish NNP at market price and NNP at factor cost.
30. In an equation $AY = AC + AI$, where $AC = 150$: and $AI = 50$; Find the investment multiplier K , MPC and MPS .
31. Explain under-employment equilibrium.
32. Illustrate Effective Demand.

(6 x 5 = 30 marks)

Section D : Part I

Essay Questions.
Answer any one question.

33. Describe equi-marginal utility theory.
34. Explain price elasticity of demand. Bring out its various types.

Section D : Part II

Answer any one question.

35. Explain Say's Law of market. Bring out its implications.
36. Describe Keynesian theory of consumption function.

(2 x 12 = 24 marks)