

SECOND SEMESTER B.A. DEGREE EXAMINATION, MAY 2018

(CUCBCSS—UG)

Complementary Course

ECO 1C 01 ESSENTIALS OF ECONOMICS—MICRO AND ECO 2C 01 ESSENTIALS OF
ECONOMICS—MACRO

Time : Three Hours

Maximum : 80 Marks

Section A (Very Short Answer Questions)*Answer all six questions from Part I and all six questions from Part II.***PART I**

1. The three fundamental questions of economic organization are _____.
(a) When, For Whom, How. (b) How, What, For Whom.
(c) What, How, Whom. (d) What, Who, Why.
2. In a Cobb Douglass production function, when $\alpha + \beta = 1$, it means that there are :
(a) Increasing returns to scale. (b) Constant returns to scale.
(c) Diminishing returns to scale. (d) Decreasing returns to scale.
3. Which of the following formulas is correct ?
(a) $AVC = (TC - FC)/Q$. (b) $AVC = TC/Q$.
(c) $AVC = FC/Q$. (d) $AVC = (MC \cdot Q - FC)/Q$.
4. When marginal cost is above average cost, average cost is _____. Marginal cost will cross average cost at the point where _____.
(a) Decreasing ; AC is at its minimum. (b) Increasing ; AC is at its minimum.
(c) Increasing ; AC is at its maximum. (d) Decreasing ; AC is at its maximum.
5. Which of the following is GDP at current prices ?
(a) Nominal GDP. (b) Inflationary GDP.
(c) Real GDP. (d) Value-Added GDP.
6. Which of the following is a variable cost in the short run ?
(a) Rent on the factory.
(b) Wages paid to factory labour.
(c) Interest on borrowed financial capital.
(d) Payment on the lease for factory equipment.

Turn over

PART II

7. Subtracting depreciation from GDP yields _____.
(a) Net Domestic Product. (b) The GDP Deflator.
(c) Real GDP. (d) Gross National Product.
8. Which of the following is a central issue in macroeconomics ?
(a) deregulation of the banking industry.
(b) inflation of prescription drug prices.
(c) effect of excise taxes on consumer spending.
(d) Relation between inflation and unemployment.
9. Which of the following statements is inconsistent with Say's Law ?
(a) Economy has flexible wages and prices.
(b) Economy has an environment of laissez faire.
(c) Economy will produce at the full employment level of output.
(d) Economy's level of investment spending depends solely on the level of income.
10. Which one of the following is unlikely to be an objective of macro-economic policy ?
(a) Low tariff levels. (b) Strong economic growth.
(c) Stable prices. (d) Full employment.
11. We arrive at Personal Income (PI) from NNP by _____.
(a) + Transfer Payments + Net Interest.
(b) + Transfer Payments – Net Interest.
(c) + Transfer Payments + Net Interest – Undistributed Profits.
(d) + Transfer Payments + Net Interest + Undistributed Profits.
12. In the 1930s the U.S. economy was in a recession. According to the Classical economists, which of the following should have occurred ?
(a) Wages should have fallen which would cause more workers to be hired.
(b) Prices should have fallen which would increase consumer spending.
(c) Interest rates should have fallen increasing consumer and investment spending.
(d) All of the above should have occurred.

(12 × ½ = 6 marks)

Section B (Very Short Answer Questions)

Answer any five questions from Part I and any five questions from Part II.

PART I

13. Political Science.
14. Total Utility.
15. Unit Elasticity.
16. Shut-down point.
17. Marginal Cost.
18. Decreasing Returns to Scale.

PART II

19. Wage-price flexibility.
20. Invisible Hand.
21. Under-employment Equilibrium.
22. Savings.
23. GDP at Factor Cost.
24. Per Capita Income.

(10 × 2 = 20 marks)

Section C (Very Short Answer Questions)

Answer any three questions from Part I and any three questions from Part II.

PART I

25. What is the relationship between History and Economics ?
26. Illustrate the Law of supply with an appropriate schedule and graph.
27. Distinguish between Microeconomics and Macroeconomics.
28. Explain the nature of relationship between Average and Marginal Cost.

PART II

29. Elaborate the Classical logic behind Say's Law.
30. What does the Keynesian concept of Effective Demand detail ?

Turn over

31. What is the nature of relationship between Consumption and Savings in Keynesian theory ?
32. How do we arrive at Disposable Income from GNP ?

(6 × 5 = 30 marks)

Section D (Very Short Answer Questions)

*Answer any **one** question from Part I and any **one** question from Part II.*

PART I

33. What are the different types of elasticity of Supply ?
34. Describe the various types of production function faced by a firm.

PART II

35. Detail the Classical concept of laissez faire, invisible hand, wage price flexibility and Say's law.
36. Explain in detail at least seven concepts related with National Income accounting.

(2 × 12 = 24 marks)