

# QUESTION BANK

## Department of Economics

### Semester – I, CC – I

#### INTRODUCTORY MICRO ECONOMICS

Answer in one sentence or Fill in the blanks

1 × 12 = 12

1. Economics is a \_\_\_\_\_ science.
2. Demand curve is \_\_\_\_\_ sloped.
3. Law of supply shows \_\_\_\_\_ relation between P < Q.S.
4. Elasticity of demand = \_\_\_\_\_.
5. Production possibility curve represents an \_\_\_\_\_ economy.
6. There are \_\_\_\_\_ methods of verification of economic model.
7. At the point of equilibrium, the price line is \_\_\_\_\_ to indifference curve.
8. AC \_\_\_\_\_ when MC is less than AC.
9.  $MPP \times Price =$  \_\_\_\_\_.
10. Perfect competition prevails in the market when \_\_\_\_\_ no. of buyers and sellers participant in exchange of goods.
11. The shape of AR curve is \_\_\_\_\_ in a perfectly competitive market.
12. The MP curve slopes \_\_\_\_\_.
13. Scarcity is a situation when demand for good is \_\_\_\_\_ in relation to \_\_\_\_\_.
14. What is the basic economic activity?
15. \_\_\_\_\_ is the undercurrent of all economic decisions.
16. Aggregate demand consists of \_\_\_\_\_.
17. Trade off between inflation and unemployment is possible \_\_\_\_\_ period.
18. Is trade beneficial to buyers only?
19. \_\_\_\_\_ market is a source of market failure.
20. \_\_\_\_\_ economy system promotes more economy activity.
21. Whether trade or service is one way through which economic agents interact with each other?
22. \_\_\_\_\_ is a measure through which labour productivity can increase.
23. \_\_\_\_\_ helps to control the activities of individual that are socially desirable.
24. Standard of living of the people depends on \_\_\_\_\_.
25. Who established the empirical relation between the rate of unemployment and money wage rate?
26. In which period money supply cause the price level to rise?

27. Name the organization that measures the Human development index.
28. Around which problem the subject matter of Economics revolve?
29. State one reason of printing notes by monetary authority.
30. Decision of an economic agent is guided by which principle?
31. Value judgment is involved in \_\_\_\_\_ economics.
32. Firms buy factors of production from \_\_\_\_\_.
33. Is PPC a simple graphical presentation of general equm. model?
34. The branch of economics which studies eco. problem at the individual level is called \_\_\_\_\_ problem.
35. Growth of resources implies that PPC shifts to the \_\_\_\_\_.
36. Four sector model includes \_\_\_\_\_.
37. Mention one difference between micro and macro economics.
38. \_\_\_\_\_ represents the abstract of vast complexities of an economic system.
39. There are \_\_\_\_\_ methods of verification of economic models.
40. A \_\_\_\_\_ is a simplified representation of a real life situation.
41. \_\_\_\_\_ economy describes what is the economic system and how it operates.
42. \_\_\_\_\_ equm. is the method of study in micro economics.
43. \_\_\_\_\_ flow is in the form of money.
44. A point outside the PPC shows \_\_\_\_\_ combination of goods.
45. How is the slope of PPC measured?
46. Name the economist who developed the general equilibrium model.
47. What do you mean by "ceteris paribus"?
48. What does the point inside the PPC shows?
49. Name the sectors in a two sector circular flow model.
50. What is the flow of goods and services from producer sector to household sector called?
51. Slope of the demand curve is \_\_\_\_\_.
52. Shift in demand curve means \_\_\_\_\_.
53. Demand falls because \_\_\_\_\_?
54. Loss of welfare in monopoly is called \_\_\_\_\_.
55. If price of petrol goes up, demand for car \_\_\_\_\_.
56. What is unique equilibrium?
57. Price ed is measured by which formula?
58. Income ed is measured by which formula?
59. Cross ed is measured by which formula?
60. When supply curve is vertical, ed = \_\_\_\_\_.
61. Goods having multiple uses, ed = \_\_\_\_\_.
62. Demand for vegetables is \_\_\_\_\_ ed.
63. Goods demand of which can be postponed to a future period, ed = \_\_\_\_\_.

64. In case of complementary goods, cross ed= $\quad\quad\quad$ .
65. Taxes on goods having more ed, yields  $\quad\quad\quad$  revenue.
66. When two goods are substitutes, their cross ed is  $\quad\quad\quad$ .
67. Supply of necessities is  $\quad\quad\quad$  elastic.
68. If  $es > 1$ , then supply is  $\quad\quad\quad$ .
69. When the supply of a factor is  $\quad\quad\quad$ , it does not earn any rent.
70. The IC analysis is based on  $\quad\quad\quad$  utility approach.
71. The slope of IC is equal to  $\quad\quad\quad$ .
72. What is budget line?
73. If price of two goods are fixed, the budget line will be  $\quad\quad\quad$  slope.
74. IC is convex to the origin due to  $\quad\quad\quad$ .
75. When two goods are perfect substitutes, the IC is  $\quad\quad\quad$  slopes.
76. An IC is  $\quad\quad\quad$  to the point of origin.
77. Define an indifference map.
78. In ICA, the  $MRS_{xy}$  is  $\quad\quad\quad$ .
79. An IC is a graphic representation of  $\quad\quad\quad$ .
80.  $MRS_{xy} = \quad\quad\quad / \quad\quad\quad$ .
81. Give another name of IC.
82. Give one exception to the law of  $DMRS_{xy}$ .
83. When  $MRS_{xy}$  is constant?
84. What do you mean by consumer's equilibrium?
85. What is the other name of price line?
86. In which tax, the consumer pays fixed amount of revenue?
87. Give two assumptions of consumer's equilibrium.
88. At the point of consumer's equilibrium,  $\quad\quad\quad = \quad\quad\quad$ .
89. What is the necessary condition of equilibrium?
90. What is the sufficient condition of equilibrium?
91. The ICC is positive or negatively sloping?
92. PCC generally slopes  $\quad\quad\quad$  to the right.
93. Income effect of inferior good is  $\quad\quad\quad$ .
94. The slope of ICC is  $\quad\quad\quad$  in normal goods.
95. Who is the Engel curve named after?
96. Price effect is a combination of  $\quad\quad\quad + \quad\quad\quad$ .
97. Is SE is negative?
98. Is IE is always negative?
99. Who discovered the concept ICA?
100. Among Hicks and Allen who overcompensates the consumer?
101.  $TP = \quad\quad\quad \times \quad\quad\quad$ .
102.  $AP = \quad\quad\quad / \quad\quad\quad$ .

103.  $MP = \underline{\hspace{2cm}} - \underline{\hspace{2cm}}$ .
104. Name the SE of Allen.
105. In which goods IE is stronger than SE?
106. In which goods IE is weaker than SE?
107. What do you mean by the law of variable proportion?
108. When MP is -ve, what happens to TP?
109. When MP is zero, what is TP?
110. When MP is constant, what happens to TP?
111. When AP increases, MP is  $\underline{\hspace{2cm}}$ ?
112. What do you mean by external economy?
113. What do you mean by internal economy?
114. What is the cause of the law of variable proportion?
115. What do you mean by real cost?
116. What do you mean by opportunity cost?
117. What do you mean by pecuniary cost?
118. Economies of scale refer to  $\underline{\hspace{2cm}}$ .
119. When MP is -ve, what happens to AP?
120.  $\underline{\hspace{2cm}}$  factors alone can be changed in the short period.
121. Increasing returns to scale are due to  $\underline{\hspace{2cm}}$  economies.
122. The per unit production variable factor is called  $\underline{\hspace{2cm}}$ .
123.  $TC = \underline{\hspace{2cm}} + \underline{\hspace{2cm}}$ .
124.  $TC = \underline{\hspace{2cm}} \times \underline{\hspace{2cm}}$ .
125.  $MC_n = \underline{\hspace{2cm}} - \underline{\hspace{2cm}}$ .
126.  $AC = \underline{\hspace{2cm}} / \underline{\hspace{2cm}}$ .
127.  $AC = \underline{\hspace{2cm}} + \underline{\hspace{2cm}}$ .
128. When  $MC > AC$ , what happens to AC?
129. When  $MC = AC$ , what happens to AC?
130. When  $MC < AC$ , what happens to AC?
131. In the long run all factors are  $\underline{\hspace{2cm}}$ .
132. What is the fixed cost?
133. What is the variable cost?
134. What is the prime cost?
135. What is the shape of AFC?
136. If output is zero, what is AFC?
137. The change in TC by producing an extra unit of output is called  $\underline{\hspace{2cm}}$ .
138. When AC rises,  $MC = \underline{\hspace{2cm}}$ .
139. As per modern theory of cost the shape of LAC is  $\underline{\hspace{2cm}}$ .
140. What is the shape of SAC?
141. What is the shape of LAC?

142. SAC is U-shaped because?
143. At different levels of production, variable cost \_\_\_\_\_.
144. The difference between AFC & AVC is found in \_\_\_\_\_ period.
145. Additional cost is related to \_\_\_\_\_ cost.
146. MC cuts AC at its \_\_\_\_\_ point.
147.  $TR = \text{_____} \times \text{_____}$ .
148.  $AR = \text{_____} / \text{_____}$ .
149.  $MR = \text{_____} - \text{_____}$ .
150. What is the other name of AR?

**Answer in two or three sentences**

**2 × 8 = 16**

1. What is the role of household in an economy?
2. What do you mean by opportunity cost?
3. What is an assumption?
4. What is bar diagram?
5. What is market?
6. Define cross ed.?
7. Define producers' surplus?
8. What is Giffen goods?
9. Define MC.
10. What is the equm. price?
11. What is the subject matter of economics?
12. State different types of efficiency.
13. Write two principles that guides decision making of individuals.
14. Write two principles that guides people interaction.
15. Explain invisible hand.
16. How scarcity give rise to the problem of making choice?
17. What is an economic model?
18. What is PPC?
19. State the circular flow of income in a two sector economy.
20. How macro economics is different from micro economics?
21. Distinguish between linear & non-linear functional relationship.
22. What is movement along the demand curve?
23. Factors that demand, explain it.
24. What is dead weight loss?
25. What is consumer's surplus?
26. What is producer's surplus?
27. What is cross ed?

28. What is indifference map?
29. What is income effect?
30. What is price effect?
31. What is substitution effect?
32. State the conditions of consumer's equm.
33. What is Engel's curve?
34. What do you mean by production function?
35. What is internal economy?
36. What is external economy?
37. State the relationship between TC, TPC & TVC.
38. What is social cost?
39. State the relationship between MR & TR.
40. Define market period.
41. Define normal price.
42. Define MPL.
43. What is APL?
44. What is the difference between ARPL & SMRPL?
45. Define average factor cost of labour.

**Q 3. Write notes of the followings within 75 words each.**

**3 × 8 = 24**

1. Importance and utility of study of economics.
2. Limitations of economics.
3. Price effect.
4. Consumer's surplus.
5. Producers' surplus.
6. Economic model.
7. Budget constraint.
8. Fixed cost.
9. Indifference map.
10. Market equilibrium.
11. Supply of labour.
12. Variable cost.

**Q.4 – Answer the following within 500 words each**

**7 × 4 = 28**

1. Describe the subject matter of Economics in detail.
2. Explain the ten principles of Economics.
3. Describe the properties of ICA.
4. Explain consumer's equm. through ICA.

5. Describe the Slutsky method of substitution effect.
6. Prove that  $PE = IE + SE$ .
7. Critically examine ICA.
8. Explain the law of variable proportion.
9. Explain the returns to scale.
10. Prove that LAC is more flatter than SAC.
11. Substantiate that SAC curves are 'U' shaped.
12. Describe the relationship between AC & MC.
13. Explain short-run equm. of the firm & industry under perfect market.
14. Explain the importance of time element in the theory of value.
15. How equm. price is determined under perfect market?
16. Explain the derivation of supply curve in the long-run.
17. What is MPL? Prove that wage rate is equal to MPL?
18. How is wage determined under imperfect competition?