

# QUESTION BANK

## Department of Economics

### Semester – III, CC – V

#### MICRO ECONOMICS

Answer in one sentence or Fill in the blanks

1 × 12 = 12

1. What do you mean by economic model?
2. State the general features of economics.
3. What do you mean by paradox of value?
4. What is meant by pareto efficiency?
5. State the axioms of rational choice.
6. What is utility function?
7. What is economic good and economics bad?
8. What is DMRS<sub>xy</sub>?
9. What is meant by Cobb-Douglas utility function?
10. What is indifference map?
11. What is price effect?
12. What is income effect?
13. What is price consumption curve?
14. What is meant by lump-sum tax?
15. What is Giffen Goods?
16. What is inferior Goods?
17. \_\_\_\_\_ is a family of indifference curves.
18. The slope of the budget line is determined by the \_\_\_\_\_ of a commodity.
19. Expenditure functions are homogeneous of degree \_\_\_\_\_ in all prices.
20. \_\_\_\_\_ effect causes more or less to be purchased is the individual moves along an indifference curve.
21. \_\_\_\_\_ measures the proportionate change in the quantity of X demanded in response to a proportionate change in the price of some other commodity.
22. Income effect for inferior goods is \_\_\_\_\_.
23. What is dual of utility maximization?
24. What is meant by ordinary demand function?
25. What is meant by compensated demand function?
26. Ordinary demand function and compensated demand function is found out by \_\_\_\_\_ and \_\_\_\_\_.

27. Explain the concept discrete goods.
28. What do you mean by net substitutes?
29. What do you mean by gross substitutes?
30. What is meant by composite commodities?
31. What is meant by Arc ed?
32. What do you mean by market demand curve?
33. What is the formula of Cross ed?
34. What is the formula of Point method in measuring ed?
35. What is the formula of Arc ed?
36. What is the formula of Ed with respect to revenue?
37. The producer operates in the second stage of law of variable proportions because MP of both fixed and variable factor is \_\_\_\_\_.
38. Total functions are \_\_\_\_\_ in input prices.
39. What do you mean by economies of scale?
40. What do you mean by external economy?
41. What do you mean by internal economy?
42. Explain the meaning of Iso-quants.
43. What do you mean by  $MRTS_{XY}$ ?
44. What do you mean by constant returns to a factor?
45. What do you mean by increasing returns to a factor?
46. What do you mean by diminishing return to a factor?
47. What do you mean by elasticity of substitution?
48. Explain linear production function.
49. Explain fixed proportions production functions.
50. Explain Cobb-Douglas production function.
51. \_\_\_\_\_ cost is called supplementary cost.
52. Profit functions are convex in \_\_\_\_\_.
53. What do you mean by explicit and implicit cost?
54. What is MC and TC?
55. Define AC?
56. What is formula of TC?
57.  $MC_n = TC_n -$  \_\_\_\_\_.
58.  $MC_n = \Delta TVC_n /$  \_\_\_\_\_.
59. What is the slope of TVC?
60. What is the shape of MC?
61. \_\_\_\_\_ happens to AC when MC is rising.
62.  $MC >$  \_\_\_\_\_, when MC is rising.
63.  $AFC = TFC /$  \_\_\_\_\_.
64.  $AVC = TVC /$  \_\_\_\_\_.

65.  $AC = \text{_____} + \text{_____}$ .
66. When AP is  $\cap$  shaped, the MP cuts at \_\_\_\_\_ point of AP curve.
67. LAC is a family of \_\_\_\_\_ curves.
68. LAC is called \_\_\_\_\_ curve.
69. \_\_\_\_\_ cost curve is steeper and \_\_\_\_\_ cost curve is flatter.
70. What do you mean by division of labour?
71. What do you mean by technical economy?
72. In the long-run \_\_\_\_\_ = LAC = LMC = \_\_\_\_\_
73. What is the shape of LAC according to modern theory?
74. What do you mean by homogeneity in cost function?
75. Explain economies of scope.
76. What do you mean by cost complementarities?
77. \_\_\_\_\_ is the name of prime cost.
78. What do you mean by least cost combinations of factors?
79.  $MRTS_{LK} = \text{_____} / \text{_____}$ .
80. What do you mean by producer's equilibrium?
81. Explain expansion path.
82. Profit functions are convex in \_\_\_\_\_ prices.
83. The short-run supply curve of a price taking firm is \_\_\_\_\_.
84.  $AR = MR \times e / \text{_____}$ .
85. Examine the conditions of firm's equilibrium.
86. Examine the conditions of long-run equilibrium of firm.
87. The supply curve on the DRS takes \_\_\_\_\_ shape.
88. What is the shape of supply curve in constant cost industry?
89. The cost of the firm is determined by \_\_\_\_\_ and \_\_\_\_\_ in the long-run.
90. \_\_\_\_\_ is the shape of long-run supply curve.

**Answer in two or three sentences only**

**2 × 8 = 16**

1. State the general features of economic model.
2. What do you mean by indifference map?
3. Explain ICs.
4. What do you mean by trade and substitutes?
5. What is meant by indirect utility function?
6. Explain expenditure minimisation.
7. Explain the implications of MRS.
8. Illustrate income offer curve.
9. Explain Giffen goods.

10. Explain consumer's surplus.
11. Explain producer's surplus.
12. Explain net complements.
13. Explain gross substitutes.
14. What do you mean by ISO – quant maps?
15. What do you mean by  $MRTS_{XY}$ ?
16. What is meant by Cobb-Douglas production function?
17. Explain linear PF.
18. What do you mean by shift of cost curves?
19. Explain economies of scope.
20. Explain the properties of profit function.

**Q 3. Write notes of the followings within 80 words each.**

**3 × 8 = 24**

1. How can you verify economic model?
2. Examine the axioms of rational choice.
3. What do you mean by perfect substitutes?
4. What do you mean by neutrals?
5. What do you mean by utility functions?
6. Explain indirect utility function.
7. Explain properties of expenditure function.
8. Explain the lump-sum principle.
9. What do you mean by composite goods?
10. Explain demand elasticity.
11. Explain Cross ed.
12. Explain the law of variable proportion.
13. Explain the law of Returns of scale.
14. What do you mean by CRS?
15. Is CRS a myth? Why?
16. Explain CES.
17. Explain the properties of cost function.
18. What do you mean by long-run total cost?
19. Why LAC is U shaped?
20. How a short-run firm can be equilibrium?

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

**7 × 4 = 28**

1. Examine Marshall's contributions to the theory of value.

2. How is Marshall's Demand-Supply synthesis different from general equilibrium model?
3. Explain the properties of ICs.
4. Describe consumer's equilibrium through ICA.
5. Derive or explain consumer's equilibrium in two goods and more than two goods(n-goods) model.
6. Derive and explain Engel curve.
7. Derive ordinary demand function and indirect utility function.
8. Explain compensated demand function through minimization of consumer expenditure.
9. Prove that  $PE=IE+SE$ .
10. Explain the lump-sum principle in tax imposition or choosing taxes.
11. Explain various steps in measuring price ed.
12. Describe the law of variable proportions.
13. Explain return to scale.
14. Explain why SAC is 'U' shaped?
15. Why LAC is more flatter than SAC?
16. Explain the properties of iso-quants.
17. Explain the producer's equilibrium with respect to least-cost combination of factors and maximum output combination of factors.
18. Examine constant elasticity of substitution.
19. Derive the long-run supply curve of an industry.
20. Explain TR and TC approach of a firm's equilibrium.