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(November)

ECONOMICS

(Elective/Honours)

(Introductory Economic Theory)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer **five** questions, taking **one** from each Unit

UNIT—I

1. (a) How does the law of demand behave in the case of—

    (i) goods having prestige value;

    (ii) Giffen goods?　　　　　　3+3=6

    (b) Differentiate between point and arc elasticity of demand. Explain how convexity of a demand curve affects the measurement of arc elasticity.　　6+3=9

2. Explain why—　　　　　　　　5×3=15

    (a) an indifference curve is convex to the origin;

    (b) two indifference curves cannot intersect each other;

    (c) marginal rate of substitution between two goods diminishes.

UNIT—II

3. What are the assumptions of the law of variable proportions? Elaborate what happens in each stage of the above law with an appropriate illustration.   5+10=15

4. (a) Why is the short-run average cost curve U-shaped?

   (b) Examine the relationship between average and marginal revenue curves under perfect and imperfect competition.

   (c) What is the value of marginal revenue when elasticity of demand is equal to one?   6+6+3=15

UNIT—III

5. State and explain the important features of monopolistic competition. How is group equilibrium achieved under monopolistic competition?   6+9=15

6. Critically examine Knight's theory of profit.   15

UNIT—IV

7. Differentiate between the following :   5×3=15

   (a) GNP and GDP

   (b) NDP at market prices and NDP at factor cost

   (c) Nominal GNP and real GNP

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8. (a) What are the difficulties associated with measurement of national income in developing countries?

   (b) Discuss the circular flow of income in a four-sector economy.   5+10=15

UNIT—V

9. In relation to the classical theory of employment, critically analyze the following :   5×3=15

   (a) Supply creates its own demand

   (b) Money is neutral

   (c) Wage-price flexibility

10. (a) Given the consumption function $C = a + bY$, discuss the relationship between APC and MPC with a diagram.

    (b) What is marginal efficiency of capital (MEC) and how is it calculated?

    (c) Briefly explain the concept of accelerator.   5+5+5=15

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