

Reg. No.....

Name.....

**B. A. DEGREE END SEMESTER EXAMINATION OCTOBER 2017****SEMESTER – 3: ECONOMICS (CORE COURSE)****COURSE: 15U3CREC03 – PRINCIPLES OF MICRO ECONOMICS***(For Regular - 2016 Admission and Supplementary / Improvement 2015 Admission)*

Time: Three Hours

Max Marks: 75

**Part A****Answer all questions in one or two sentences. Each question carries 1 mark.**

1. Normative economics
2. Cardinal utility
3. Marginal revenue
4. Income effect
5. Law of demand
6. Complimentary goods
7. Indifference curve
8. Budget line
9. Price elasticity
10. Wealth definition of economics

(1 x 10 = 10)

**Part B****Answer any eight of the following in three or four sentences. Each question carries 2marks.**

11. Write the properties of a normal indifference curve.
12. Water – diamond paradox.
13. Explain expansion path with the help of a diagram.
14. What are the assumptions of cardinal utility theory?
15. What do you mean by income elasticity of demand?
16. Explain the extension and contraction of demand.
17. How does technological progress affect production function? Explain it with the help of a diagram.
18. State the difference between an inferior good and Giffen good.
19. 'Engel curves always slope upward' – can you justify this statement?
20. Distinguish between partial and general equilibrium.

(2 x 8 = 16)

**Part C**

**Answer any five of the following in not more than one page. Each question carries 5 marks.**

21. Briefly explain the nature and scope of micro economics.
22. Explain the relationship between Total, Marginal and Average Cost curves.
23. Explain changes in consumer's equilibrium when price of commodity falls.
24. Explain the difference between a shift in the supply curve and a movement along the supply curve.
25. What is the difference between economies of scale and returns to scale? Explain.
26. What is isocost line? Prove that its slope is factor price ratio.
27. There are 10,000 consumers in the market for a commodity 'x' and each individual's demand function is  $Q_{Dx}=12-2P_x$ . There are 1000 producers of commodity 'x' with an individual's supply function of  $Q_{Sx}=20P_x$ . Find out their equilibrium price and quantity.

(5 x 5 = 25)

**Part D**

**Answer any Two of the following in not exceeding four pages. Each question carries 12 marks.**

28. What is price effect? Explain the Hicksian and Slutsky's approaches of decomposition of price effect.
29. What is Cobb-Douglas production function? Explain its properties.
30. Critically examine the cardinal and ordinal utility analysis of consumer behaviour.
31. Explain the law of variable proportions. What are the causes of diminishing returns?

(12 x 2 = 24)

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