ECO/II/EC/02 **Student's Copy**

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(CBCS)

(2nd Semester)

ECONOMICS

SECOND PAPER

(Micro-economics—II)

Full Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

(SECTION : A—OBJECTIVE)

(*Marks* : 10)

Tick (✓) the correct answer in the brackets provided : 1×10=10

1. The return to a factor of production which is fixed in supply in the short period is called

(a) scarcity rent ( )

(b) economic rent ( )

(c) quasi-rent ( )

(d) contractual rent ( )

2. Marginal productivity theory was first propounded by

(a) J. M. Keynes ( )

(b) J. B. Clark ( )

(c) von Thünen ( )

(d) Adam Smith ( )

3. Factor market will be in equilibrium when

(a) demand for factor is less than its supply ( )

(b) demand for factor is equal to its supply ( )

(c) supply of factor is less than demand for it ( )

(d) supply of factor is more than demand for it ( )

4. In a monopsony market

(a) there is a single seller ( )

(b) there is a single buyer ( )

(c) there are large numbers of buyers and sellers ( )

(d) there are two sellers ( )

5. An ethical or value judgement must be made in order to derive

(a) transformation curve ( )

(b) grand utility possibility curve ( )

(c) social welfare function ( )

(d) Pareto's criterion ( )

6. When the allocation of resources is Pareto efficient

(a) society is providing the greatest good to the greatest number ( )

(b) no consumer would prefer someone else's consumption bundle to his or her own ( )

(c) it is not possible to make someone better-off without making someone worse-off ( )

(d) it is feasible to make someone better-off without making someone worse-off ( )

7. If the net present value is more than zero, it is assumed that the project is to be

(a) accepted ( )

(b) rejected ( )

(c) postponed ( )

(d) preponed ( )

8. The period of time required to recover the initial cost of investment is called

(a) payback period ( )

(b) annual average rate of return ( )

(c) interest rate of return ( )

(d) cost-benefit analysis ( )

9. If the price of capital in Country *A* is less than the price of capital in Country *B*, then using price terms definition

(a) Country *B* is rich in Capital ( )

(b) Country *B* is rich in Labour ( )

(c) Country *A* is rich in Capital ( )

(d) Country *A* is rich in Labour ( )

10. Import quota implies

(a) a duty imposed by the government upon the goods traded ( )

(b) physical limitation of quantity of goods traded to other country ( )

(c) physical limitation of quantities of goods traded from other countries ( )

(d) physical limitation of quantities of goods traded within the country ( )

(SECTION : B—SHORT ANSWER)

(*Marks* : 15)

Write short notes on the following : 3×5=15

UNIT—I

1. Uncertainty bearing theory of profits

OR

2. Differential rent

UNIT—II

3. Derived demand

OR

4. Determinants of firm's demand for a factor service

UNIT—III

5. Classical welfare economics

OR

6. Pareto optimality condition

UNIT—IV

7. Payback period

OR

8. Internal rate of return

UNIT—V

9. Difference between international trade and inter-regional trade

OR

10. Tariff

(SECTION : C—DESCRIPTIVE)

(*Marks* : 50)

Answer the following : 10×5=50

UNIT—I

1. Discuss the classical theory of interest.

OR

2. Critically explain the innovation theory of profit.

UNIT—II

3. Explain a firm's equilibrium under perfect competition with one single variable factor.

OR

4. What is a monopsony? Show how wage and employment are determined under this market.

UNIT—III

5. Critically discuss the social welfare function of Bergson.

OR

6. Graphically illustrate the Kaldor-Hicks compensation principle criterion.

UNIT—IV

7. Highlight the elements of social cost-benefit analysis.

OR

8. Discuss the Net Present Value method of evaluating an investment project.

UNIT—V

9. Critically explain the comparative cost advantage theory of international trade.

OR

10. Discuss the Heckscher-Ohlin theory of international trade.

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