

RAMAKRISHNA MISSION VIDYAMANDIRA

(A Residential Autonomous College)

Belur Math, Howrah

B.A./B.Sc. 1st Semester (July – December 2010)

Mid-Semester Examination, September 2010

Date: 06.09.2010

Economics (Honours)

Full Marks 50

Time: 11 am – 1 pm

Group - A

1. Answer any **three** questions:
 - a) Show that the value of point elasticity differs at different point on a negatively sloped st. line demand curve. 5
 - b) Discuss the nature of the shape of the aggregate demand curve in the presence of 'Veblen effect' and 'snob effect'. $2\frac{1}{2}+2\frac{1}{2}$
 - c) Draw Income Consumption Curve (ICC) if commodity x is inferior and commodity y is normal commodity. Can you draw ICC if both the commodities become inferior? Explain your answer. $2+3$
 - d) Draw indifference map if commodity x becomes bad after 4 units and commodity y becomes bad after 6 units. 5
 - e) Illustrate how Marginal Product (MP) and Average Product (AP) can be derived from the Total Product (TP) curve in case of a single variable factor. $2\frac{1}{2}+2\frac{1}{2}$
2. Answer any **one** question:
 - a) Arnab spends all his income by attending dramas and movies. His utility function is given by $u = 3D + M$, where D represents the number of dramas and M the number of movies. Draw his indifference map. If Arnab earns Rs. 120/- a week from tutoring and if drama-ticket costs Rs. 12/- each and movie-ticket Rs. 5/- each, draw his budget line clearly labeling the two intercepts. What is the best choice of Arnab? Explain your answer. $3+3+4$
 - b) i) Consider the production function: $Y = \text{Min} \left[\frac{K}{4}, \frac{L}{5} \right]$ show the corresponding isoquants and explain the selection of points at which production finally takes place.
ii) Consider an isocost curve $C = rK + wL$. Given a fixed level of output, say $\bar{q} = xy$, explain clearly the minimization of cost subject to output constraint. $4+6$

Group - B

3. Answer any **three** questions:
 - a) Distinguish between – $2\frac{1}{2}+2\frac{1}{2}$
 - i) Gross National Product and Net National Product
 - ii) Gross National Product and Gross Domestic Product
 - b) With the help of a simple circular flow diagram show that the value of national product is equal to the value of total income generated which is equal to the value of total expenditure. 5
 - c) What will be the value of autonomous expenditure multiplier in a simple Keynesian model when the value of MPC is 1.5. 5
 - d) Describe the major propositions of Keynesian consumption function. 5
 - e) Distinguish between frictional unemployment and structural unemployment. 5
4. Answer any **one** question:
 - a) Define IS and LM curves. Show how an economy attains equilibrium in both product and money markets with IS and LM curves. $3+3+4$
Explain the conditions under which the IS curve is –
 - i) Horizontal
 - ii) Vertical
 - b) Show how an economy chooses the equilibrium consumption pattern with the help of Fishers' model of intertemporal consumption. Does any prediction of the theory changes if we introduce borrowing constraints? 10