RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

FIRST YEAR [BATCH 2015-18]
B.A./B.Sc. SECOND SEMESTER (January – June) 2016
Mid-Semester Examination, March 2016

Date : 17/03/2016 **ECONOMICS (Honours)**
Time : 11 am – 1 pm Paper : II Full Marks : 50

[Use a separate Answer Book for each group]

Group – A

1. **Answer any one question :** [1×10]

a) i) Why would a firm that incurs losses in short run choose to produce rather than shut down? [6]
ii) Explain why the long run industry supply curve is not the summation of individual firm's curves. [4]

b) i) Explain in detail the long run equilibrium condition for a perfectly competitive market. [7]
ii) Graphically explain the concept of 'Dead Weight Loss'. [3]

Answer any two questions : [2×7·5]

2. In a perfectly competitive market in the shortrun a typical firm's total cost function is $C = 0\cdot 04q^3 - 0\cdot 9q^2 + 10q + 5$ and market price is given as 4 dollars per unit. Calculate and show graphically — whether the firm should continue to produce in the short run.

3. The market demand and supply scheduled for a commodity are given by
D(P) = 1,000 – 100P and S(P) = 500 + 100P
a) Graph the supply and demand schedules and determine the equilibrium price and quantity.
b) Calculate the elasticity of demand and the elasticity of supply at the equilibrium price.

4. Suppose that the market demand function of a perfectly competitive industry is given by Q_D = 4,750 – 50P and the market supply function is given by Q_S = 1,750 + 50P and P is expressed in dollars.
a) Find the market equilibrium price.
b) Find the quantity demanded and supplied in the market at P = $50, $40, $30, $20 and $10.
c) Draw the market demand curve, the market supply curve and the demand curve for one of 100 identical perfectly competitive firms in this industry.

Group – B

5. Show how, in a Solowvian model of growth, the savings rate determines the optimal percapita capital. How would the change in the savings rate influence the equilibrium growth path? [7+3]

6. Explain, with the help of Baumol-Tobin model, the interest sensitivity and income sensitivity of the transaction demand for money. [10]

7. Answer **any one** question : [1×5]
a) Discuss the quantity theory of money in brief.
b) Explain the role of expected inflation in determining the inflation-unemployment trade off.

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