

RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

FIRST YEAR [2016-19]

B.A./B.Sc. FIRST SEMESTER (July – December) 2016

Mid-Semester Examination, September 2016

Date : 10/09/2016

ECONOMICS (Honours)

Time : 11 am – 1 pm

Paper : I

Full Marks : 50

[Use a separate Answer Book for each group]

Group – A

1. Answer **any three** questions : [3×5]
 - a) Discuss in detail about exceptions to the law of demand.
 - b) Explain graphically effects of imposition of per unit tax.
 - c) “A non-linear demand curve will necessarily have different elasticity along the curve.” — Examine whether this statement is true, false or uncertain.
 - d) “Price control has efficiency costs.” Explain this statement by using the cases of price ceiling and price floor.

2. Answer **any two** questions : [2×5]
 - a) In a two commodity framework where two commodities are food and cloth, a person always spends one-third of his income on clothing. What are the
 - i) price elasticity of demand for clothing
 - ii) income elasticity of demand [2·5+2·5]
 - b) The government felt that free-market price of potato is too low. Suppose the government imposes a binding price floor in the potato market. Draw a supply and demand diagram to show the effect of this policy on the price of potato and the quantity of potato sold. Is there a shortage or surplus of potato? [5]
 - c) Let the labour supply function be given by $W = L_S$ and the demand for labour be given by $W = 100 - L_d$ where W is the wage rate.
 - i) Find out equilibrium wage rate and employment in this market.
 - ii) Suppose that there is a minimum wage rate in this market. What will happen to employment if this minimum wage is (i) 70 & (ii) 30? [2·5+2·5]

Group – B

(Answer any five questions)

3. Distinguish between : [2·5+2·5]
 - a) GDP and GNP
 - b) GNP and NNP

4. Suppose you are given the GDP of a particular country. How can you find the value of personal income from it? [5]

5. How can introduction of minimum wage laws lead to the creation of involuntary unemployment in an economy? [5]

6. Explain the concept of efficiency wage. What is its consequence on the persistence of involuntary unemployment in an economy? [2+3]

7. Show that in a Simple Keynesian Cross Model the value of Balanced Budget Multiplier is equal to unity. [5]

8. In an IS – LM framework show the case when an expansionary monetary policy leads to full crowding out. [5]

9. How can you derive an aggregate demand curve from the IS – LM framework? Explain. [5]