RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

FIRST YEAR (BATCH 2016-19)

B.A./B.Sc. SECOND SEMESTER (January – June) 2017

Mid-Semester Examination, March 2017

Date : 15/03/2017 **ECONOMICS (Honours)**

Time : 11 am – 1 pm Paper : II Full Marks : 50

[Use a separate Answer Book for <u>each group</u>]

<u>Group - A</u>

1. Answer **<u>any one</u>** question of the following : (1 × 15)

a) i) Why derivation of long run industry supply curve is different compare to short run derivation of industry supply curve under perfect competition? In this context explain in detail shapes of supply curves in three different types of industries – increasing cost industry, constant cost industry and decreasing cost industry.

ii) Can you site one example of a negatively sloping supply curve? Discuss the stability conditions in this context. (10 + 5)

b) i) Define the concept of Dead Weight Loss?

ii) Is there any dead weight loss arises when a unit tax 't' per unit is imposed on a commodity in a perfectly competitive market? Explain.

iii) Let the demand function is $Q_d = 10 - P$ and supply function is $Q_s = P - 2$. If there is a quantitative restriction at $Q = 3$, then calculate the dead weight loss. (2 + 8 + 5)

2. Answer **<u>any two</u>** questions of the following : (2 × 5)

a) What is the difference between accounting profit and economic profit? How could a firm earn positive accounting profit but negative economic profit?

b) Would a perfectly competitive firm produce if price were less than the minimum level of average variable cost? Would it produce if price were less than the minimum level of short-run average cost?

c) Each firm in a competitive market has a cost function of $C = 16 + q^2$. The market demand function is $Q = 24 - p$. Determine the long run equilibrium price, quantity per firm, market quantity, and number of firms.

<u>Group - B</u>

3. Answer **<u>any two</u>** questions of the following : (2 × 5)

a) Explain the Quantity Theory of Money in brief.

b) Describe the costs of expected inflation.

c) Show how price level is influenced by the current and expected supplies of money in future.

4. Answer **<u>any one</u>** question of the following : (1 × 15)

a) Explain, how in the long run, value of total output produced is distributed entirely among the factors of production. How is it then used for expenditure purpose? What guarantees that the value of total expenditure will be equal to total income earned? (7 + 4 + 4)

b) i) Explain the concept of Golden Rule of Capital Accumulation.

ii) Discuss the concept of conditional convergence. (8 + 7)

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