Odd Semester, 2020

(Held in March, 2021)

ECONOMICS

(Elective/Honours)

(Introductory Economic Theory)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer **five** questions, taking **one** from each Unit

UNIT—I

1. *(a)* Explain the difference between perfectly elastic and perfectly inelastic demands.   5

   (b) How is the concept of cross-elasticity of demand used to determine if two goods are substitutes or complements?   5

   (c) The price of a commodity falls from ₹ 6 to ₹ 4 and the demand increases from 60 to 100 units. Find the elasticity of demand and comment on the value obtained.   5

(2)

2. What is indifference curve? Discuss the equilibrium of the consumer by using indifference curve approach.   3+12=15

UNIT—II

3. What is production function? Explain the concepts of increasing and decreasing returns to scale and illustrate them with the help of isoquants.   5+(5+5)=15

4. Explain the derivation of the long-run average cost curve.   15

UNIT—III

5. Explain on which segment of a demand curve ($e_p > 1$ or $e_p < 1$) would a monopolist operates. Discuss long-run equilibrium under monopoly.   5+10=15

6. Critically discuss the Keynesian liquidity preference theory of interest.   15

UNIT—IV

7. *(a)* What is the difference between GNP and GDP in terms of the components used?   7

(b) Calculate the national income and personal disposable income from the following data : 5+3=8

	₹
GDP$_{MP}$	6000
Receipts of factor income from abroad	150
Payments of factor income to the rest of the world	225
Depreciation	800
Indirect taxes minus subsidies	700
Corporate profits	1200
Dividend	600
Transfer payments	1300
Personal taxes	1500

8. (a) What are the difficulties in measuring national income in developing countries?

(b) Describe the circular flow of income in a four-sector model. 5+10=15

UNIT—V

9. Discuss the Keynesian theory of income and employment. What are its limitations? 10+5=15

10. What is marginal efficiency of capital and how is it calculated? What factors determine the marginal efficiency of capital? 7+8=15

★ ★ ★