

This question paper contains 3 printed pages.

4464

Your Roll No.

B.A. Prog. / I

AS

(I)

ECONOMICS— Paper I

(Principles of Microeconomics)

(Admissions of 2005 and onwards)

Time : 3 hours

Maximum Marks : 100

*(Write your Roll No. on the top immediately
on receipt of this question paper.)*

NOTE:— *The maximum marks printed on the question paper are applicable for the students of Category 'B'. These marks will, however, be scaled down proportionately in respect of the students of regular colleges, Category 'A', at the time of posting of awards for compilation of result.*

Answer any five questions.

All questions carry equal marks.

1. (a) Define a production possibility curve. Upon what assumptions is the curve based? How would the curve shift if there is technical advance?
(b) Explain and illustrate graphically using demand and supply curves the effect of an increase in income on equilibrium price and quantity of an inferior good. 10,10

P. T. O.

2. (a) What does the price elasticity of supply measure? Suppose the publisher of a book is willing to supply 5000 copies of a book when the price of a book is Rs. 200, but supplies only 2500 copies of the book at Rs. 100 per book. Find the elasticity of supply.
- (b) Explain the significance of the budget line in determining the choice of attainable combinations of a consumer. 10,10
3. Discuss and illustrate the characteristics of indifference curves. Also, explain the concept of price-consumption line. How is it related to the demand curve? 20
4. (a) State and explain the law of diminishing returns. What bearing does this law have upon short-run costs?
- (b) The output and total cost data of a firm are given below:
- | | | | | | | |
|-------------------------|----|----|----|----|----|----|
| <i>Output (Units)</i> | 0 | 1 | 2 | 3 | 4 | 5 |
| <i>Total Cost (Rs.)</i> | 12 | 17 | 21 | 26 | 32 | 40 |
- Complete the firm's schedule of:
- (i) Average Fixed Cost
- (ii) Average Variable Cost
- (iii) Marginal Cost. 12,08

5. (a) Explain why a firm might produce at a loss in short run rather than close down.
- (b) Explain in words and with the use of diagrams why a monopoly equilibrium leads to economic inefficiency relative to perfect competition. 8,12
6. (a) Explain the concept of Economic Rent. Show how the amount of rent in factor payments depends on the shape of the supply curve.
- (b) What are the factors that determine the supply of labour? Using indifference curves show that the supply curve of labour may have a positive or negative slope. 10,10
7. What is meant by protectionism? Discuss some of the methods of protecting domestic producers. Outline the arguments for and against protectionism. 20
8. Write short notes on any *two*:
- (a) Principal-Agent problem
- (b) GATT and WTO
- (c) Excess capacity under monopolistic competition
- (d) Entry barriers in oligopolistic industries. 10,10

