

**2018**  
**ECONOMICS -I**  
**ECO: 1.1**  
**MICRO ECONOMICS**  
 Full Marks: 80  
 Time: 3 Hours

*The figures in the margin indicates full marks for the questions :*

- 1) Answer the following questions (within 50 words): 2x4=8
- a) What is Product Line?
  - b) Define increasing return to a factor.
  - c) Define reaction curve
  - a) What is selling cost?
- 2) Answer the following questions (within 100 words) 5x4=20
- a) What is elasticity of substitution? What are the shape of isoquants when elasticity of substitution ( $\sigma$ ) is ' $\alpha$ ' and ' $0$ '. 1+4=5
  - b) What is contestable market? 5
  - c) Write a short note on Principal Agent problem? 5
  - d) What is isoquant? How is it affected by neutral and non-neutral technical progress? 1+4=5
- 3) Answer any two of the following of the following questions: 10x2=20
- a) Give a comparative review of the features of the Cobb-Douglas and CES production functions. Explain how total cost function can be derived from production function. 5+5=10
  - b) What is excess capacity? Show diagrammatically how a monopolistically competitive firm produces less than ideal out-put in the long run? 2+8= 10
  - c) What is price leadership ? Explain price leadership model by a low cost firm. 2+8=10
  - d) Critically explain the Monopsony market. 10

4) Answer the following of the following questions 16x2=32

- a) Distinguish the efficient factor allocations from inefficient one of a multi-product firm. Illustrate how a multi-product firm selects its optimal product mix. 8+8=16

*Or*

- b) Critically examine Baumol's theory of sales revenue maximisation. 16  
c) Describe price;output equilibrium of a firm under monopolistic competition? 16

*Or*

- d) Define short run and long run cost functions. Explain the envelop theorem. 8+8=16

\*\*\*\*\*