

Subject Code : **II/ECO** (ii)

Booklet No. **A** 539

II/ECO (ii)

2015

(2nd Semester)

ECONOMICS

SECOND PAPER

(**Microeconomics—II**)

Full Marks : 75

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 50)

The questions are of equal value

Answer **all** questions

1. Discuss the innovation theory of profit.

Or

Describe the marginal productivity theory of wage determination.

G15—1700/219a

(Turn Over)

/219

Signature of
Candidate(s)



To be filled in by the Candidate

DEGREE 2nd Semester
(Arts / Science / Commerce /
.....) Exam., 2015

Subject

Paper

INSTRUCTIONS TO CANDIDATES

1. The Booklet No. of this script should be quoted in the answer script near the descriptive type questions and versa.
2. This paper should be ANSWERED FULLY and submitted within 1 (one) hour of the commencement of Examination.
3. While answering the questions of this booklet, any cutting, erasing, writing or furnishing more than one answer is prohibited. Any rough work, if required, should be done on a separate sheet. The main Answer Book. Instructions given in each question should be followed for answering that question only.

Signature of
Scrutiniser(s)

Signature
Exam

(ii) **ECO II** (2)

2. Explain the determination of equilibrium of a firm in a single-factor market under condition of single variable factor.

Or

Explain the equilibrium of a monopsonist who uses several variable factors.

3. How is social welfare maximized under Pareto optimum theory of social welfare?

Or

Critically discuss Kaldor-Hicks compensation principle.

4. Discuss the net present value method of project evaluation.

Or

Discuss the elements of social cost-benefit analysis.

5. State and explain the comparative advantage theory of international trade.

Or

Discuss the main features of Heckscher-Ohlin theory of international trade.

2015

(2nd Semester)

ECONOMICS

SECOND PAPER

(**Microeconomics—II**)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—A

(Marks : 10)

Tick (✓) the correct answer in the brackets provided :

1×10=10

1. Which of the following is not included in the assumptions of Clark's marginal productivity theory of distribution?

- (a) Perfect competition ()
- (b) Constant population ()
- (c) Constant amount of capital ()
- (d) Labour as heterogeneous ()

2. The concept of quasi-rent means

- (a) the wages to the workers ()
- (b) the rent shared by the workers and the landlord ()
- (c) the return to a factor of production which is fixed in supply in the short-period only ()
- (d) None of the above ()

3. Equilibrium in the factor market achieved at the factor price and factor quantity is given by

- (a) the intersection of the factor demand curve and the factor supply curve ()
- (b) the sum total of the elasticities of demand and supply ()
- (c) the product of the elasticities of demand and supply ()
- (d) None of the above ()

4. Monopsony means

- (a) a single seller ()
- (b) a single buyer ()
- (c) large number of buyers ()
- (d) None of the above ()

5. Who proclaimed 'the doctrine of invisible hand'?

- (a) Adam Smith ()
- (b) A. C. Pigou ()
- (c) Kaldor-Hicks ()
- (d) V. Pareto ()

6. Welfare economics is generally accepted as

- (a) positive economics ()
- (b) normative economics ()
- (c) static economics ()
- (d) None of the above ()

7. The number of years required to recover initial cost of investment is called

- (a) recover period ()
- (b) take-back period ()
- (c) payback period ()
- (d) annual average rate of return ()

8. Internal Rate of Return (IRR) is also identified as the

- (a) average annual rate of return
- (b) marginal efficiency of capital
- (c) social rate of time preference
- (d) None of the above

9. David Ricardo propounded the theory of

- (a) law of reciprocal demand
- (b) absolute theory of international trade
- (c) comparative theory of international trade
- (d) None of the above

10. In Heckscher-Ohlin model, factor abundance have been defined in two terms. Those are

- (a) price and location criteria
- (b) physical and location criteria
- (c) price and physical criteria
- (d) None of the above

SECTION—B
(Marks : 15)

Write short notes on the following :

- 1. Interest

3×5=15

2. Meaning of variable factor

David Ricardo's proposition that the supply of land is fixed and the demand for it is variable is the basis of his theory of rent. He distinguished between the fixed and variable factors of production. The fixed factors are those which are not subject to change in quantity, while the variable factors are those which can be increased or decreased at will. He argued that the price of the fixed factors (land) is determined by the marginal product of the variable factors (labor and capital) in agriculture. This theory of rent is a key element of his theory of value and distribution.

3. Social welfare function

The social welfare function is a concept used in welfare economics to represent the overall social welfare derived from the utility of all individuals in a society. It is a function that aggregates the individual utility functions of all members of the society. The social welfare function is used to evaluate different social arrangements and to determine the socially optimal distribution of resources. It is a key concept in the theory of public goods and the theory of social choice.

4. Average annual rate of return

5. Quota
