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( CBCS )

( 2nd Semester )

**ECONOMICS**

SECOND PAPER

**( Microeconomics—II )**

*Full Marks : 75*

*Time : 3 hours*

**INSTRUCTIONS TO CANDIDATES**

( Please read the instructions carefully before you start writing your answers )

1. Questions should be attempted as per instructions.
2. Do not copy the Questions. Indicate the Section and Question No. clearly while attempting the answer.
3. For Multiple choice answer, candidate should indicate the **Question No., Sub. No., (if any) and the correct answer. For example :**

1. *Name the State capital of Mizoram.*

(a) *Lunglei*

(b) *Aizawl*

(c) *Champhai*

Candidate should provide answer as—Q. No. 1 : (b) *Aizawl*

[ Candidate should **avoid** writing only (b) ]

4. The figures in the margin indicate full marks for the questions.

**( SECTION : A—OBJECTIVE )**

( Marks : 10 )

Choose the correct answer from the options provided :

1×10=10

1. According to uncertainty theory of profit, all risks are
  - (a) foreseeable
  - (b) measurable
  - (c) not foreseeable
  - (d) not measurable
  
2. The marginal physical product of capital is the addition to
  - (a) total revenue generated by adding a unit of loanable funds to production
  - (b) total physical product generated by adding a unit of capital to production
  - (c) total revenue generated by adding a unit of capital to production
  - (d) total physical product divided by a unit of capital
  
3. The labour market equilibrium determines the wage rate and
  - (a) profits
  - (b) savings
  - (c) investment
  - (d) employment
  
4. A monopsony would tend to
  - (a) pay a lower wage rate than a competitive firm
  - (b) pay a higher wage rate than a competitive firm
  - (c) hire a greater quantity of labour than a competitive firm
  - (d) hire the same quantity of labour than a competitive firm

- 5.** When the allocation of resources is Pareto efficient
- (a) society is providing the greatest good to the greatest number
  - (b) no consumer would prefer someone else's consumption bundle to his or her own
  - (c) it is not possible to make someone better-off without making someone worse-off
  - (d) it is feasible to make someone better-off without making someone worse-off
- 6.** Welfare economics is generally accepted as
- (a) static economics
  - (b) positive science
  - (c) normative science
  - (d) both positive science and normative science
- 7.** If interest rates rise, the present value of any future earnings is bound to
- (a) rise
  - (b) fall
  - (c) increase in risk
  - (d) suffer from inflation
- 8.** Internal rate of return is
- (a) the rate at which discounted cash inflow is equal to the discounted cash outflow
  - (b) the rate at which discounted cash inflow is less than discounted cash outflow
  - (c) the rate at which discounted cash inflow is more than discounted cash outflow
  - (d) None of the above
- 9.** The main objective of international trade is
- (a) to remove poverty
  - (b) to reduce inequality
  - (c) to maximize production
  - (d) to remove political bondage

10. The absolute advantage theory of international trade is associated with

- (a) Adam Smith
- (b) David Ricardo
- (c) Alfred Marshall
- (d) Heckscher-Ohlin

**( SECTION : B—SHORT ANSWER )**

( Marks : 15 )

Write short notes on the following :

3×5=15

1. (a) Scarcity rent

**OR**

(b) Risk theory of profit

2. (a) Bilateral monopoly

**OR**

(b) Factor market

3. (a) Welfare economics

**OR**

(b) Value judgement

4. (a) Payback period

**OR**

(b) Present value

5. (a) Tariffs

**OR**

(b) Opportunity cost

( SECTION : C—DESCRIPTIVE )

( Marks : 50 )

Answer the following questions :

10×5=50

UNIT—I

1. (a) Describe the marginal productivity theory of wage determination. 10

**OR**

- (b) Explain Keynes' liquidity preference theory of interest. 10

UNIT—II

2. (a) Explain, with the help of a diagram, how factor market attained its equilibrium. 2+8=10

**OR**

- (b) What do you mean by the firm's demand for factor services? Write the factors affecting firm's demand for factor services. 3+7=10

UNIT—III

3. (a) Critically discuss Kaldor-Hicks compensation principle. 10

**OR**

- (b) What is social welfare function? Critically explain Bergson's social welfare function. 2+8=10

UNIT—IV

4. (a) Discuss the net present value method of project evaluation. 10

**OR**

- (b) Discuss the elements of social cost-benefit analysis. 10

UNIT—V

5. (a) Why do nations trade? Give your answer in the light of the theory of comparative advantage. 2+8=10

**OR**

- (b) Discuss the assumptions and main features of Heckscher-Ohlin theory of international trade. 10

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