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(CBCS)

(2nd Semester)

ECONOMICS

SECOND PAPER

(Microeconomics—II)

Full Marks : 75

Time : 3 hours

(PART : A—OBJECTIVE)

(*Marks* : 25)

The figures in the margin indicate full marks for the questions

SECTION—A

(*Marks* : 10)

Tick (✓) the correct answer in the brackets provided : 1×10=10

1. The marginal productivity theory of distribution is associated with

(a) Adam Smith ( )

(b) Lionel Robbins ( )

(c) J. B. Clark ( )

2. The uncertainty-bearing theory of profit was propounded by

(a) F.H. Knight ( )

(b) P. A. Samuelson ( )

(c) Adam Smith ( )

3. Factor market will be in equilibrium when

(a) demand for factors is less than its supply ( )

(b) demand for factors is equal to supply of factors ( )

(c) supply of factors is less than for it ( )

4. Demand for factor of production is

(a) intermediate demand ( )

(b) derived demand ( )

(c) supplementary demand ( )

5. Kaldor-Hicks compensation principle can be explained with the help of

(a) utility possibility curve ( )

(b) indifference curve ( )

(c) equal product curve ( )

6. Social welfare function is a function of

(a) all the consumers excluding producers ( )

(b) only sample of individuals in society ( )

(c) all the individuals constituting the society ( )

7. If the internal rate of return (IRR) is negative, then the investor

(a) loses money ( )

(b) gains money ( )

(c) neither gains nor loses money ( )

8. If the net present value (NPV) is more than one, then the project may be

(a) accepted ( )

(b) rejected ( )

(c) accepted or rejected ( )

9. Adam Smith propounded the theory of

(a) comparative cost advantage ( )

(b) absolute cost advantage ( )

(c) opportunity cost ( )

10. Import quota implies

(a) a duty imposed by the government upon the goods traded ( )

(b) physical limitation of quantities of goods traded to other countries ( )

(c) physical limitation of quantities of goods traded from other countries ( )

SECTION—B

(*Marks* : 15)

Write short notes on the following : 3×5=15

1. Collective bargaining

OR

Differential rent

2. Determinants of firm's demand for factor services

OR

Bilateral monopoly

3. Welfare economics

OR

Pareto optimality theorem

4. Cost-benefit analysis

OR

Net present value (NPV)

5. Tariff

OR

Opportunity cost

(PART : B—DESCRIPTIVE)

(*Marks* : 50)

The figures in the margin indicate full marks for the questions

1. *(a)* Discuss the classical theory of interest. 10

OR

(b) Give a brief explanation of the innovation theory of profit.

2. *(a)* Explain the equilibrium of a monopsonist using one variable factor. 10

OR

(b) Explain how a firm attains equilibrium under factor market.

3. *(a)* Critically explain the Kaldor-Hicks compensation principle of social welfare. 10

OR

(b) Critically explain Bergson's Social Welfare Function.

4. *(a)* Define payback period. Explain how payback period helps in investment analysis. 3+7=10

OR

(b) Briefly discuss the elements of social cost-benefit analysis.

5. *(a)* State and explain the comparative cost advantage theory of international trade. 10

OR

(b) Explain the Heckscher-Ohlin theory of international trade.

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