



DATE: 27-08-2019

**ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27**  
**B.Sc. ECONOMICS - I SEMESTER**  
**SEMESTER EXAMINATION: OCTOBER 2019**  
**ECS 1118- MICROECONOMICS I**

**Time- 2 1/2 hrs**

**Max Marks-70**

**This paper contains TWO printed pages and THREE parts**

**Part A.**

**Answer any TEN of the following**

**3 X10=30**

1. Explain Consumer Surplus with diagram.
2. What is the relationship between marginal cost curve and the average cost curve?
3. Define expansion path of a firm.
4. Mention any four factors, other than the price of a product, which influences the supply of a commodity?
5. Total utility becomes maximum when (a) marginal utility increases, (b) marginal utility decreases, (c) marginal utility becomes zero- which statement is correct and why?
6. Define cross price elasticity of demand.
7. Define marginal rate of technical substitution between two factors.
8. What is the constraint in the process of utility maximization by any consumer?
9. How positive economics is different from normative economics?
10. "Marginal Product of a variable factor will always rise as its average product rises"- Is this statement true?
11. Define an iso-quant. Mention any two properties of an iso-quant.
12. Explain with the help of a diagram, the reason behind the "U" shape of the AVC curve during short-run.

**Part B.**

**Answer any TWO of the following**

**5 x 2 =10**

13. When two commodity baskets are purchased by the consumer, explain the weak axiom of revealed preference.
14. Why the LAC curve is the envelope of all possible SAC curves? Explain diagrammatically.
15. What is income effect? Draw an income-consumption curve (ICC) for normal good? What would be the shape of an ICC if one of the two goods are inferior?

**Part C.**

**Answer any TWO of the following**

**15 x 2 = 30**

16. A student has Rs. 100 to spend on two goods; the money can be spent on clothing, which costs Rs. 50 per item and on cinema, which costs Rs. 10 per visit. If  $q_1$  is the number of items of clothing bought and  $q_2$  is the number of visits to cinema, then the student's utility function is defined as  $U = 10q_1 q_2$ . Find the optimum commodities purchased by the consumer.
17. Describe different situations when individual preferences are not independent of each other.
18. a) Find out the elasticity of substitution if the production function is  $Q = K^\alpha L^{1-\alpha}$ ,  $1 > \alpha > 0$ .
- b) Which of the following factors will cause the shift of the demand curve to the right or left, explain diagrammatically?
- In December, the price of Christmas trees rises and the number of trees sold also rises, what probably happens to the demand for it?
  - When the price of petroleum goes up, what probably happens to the demand for natural gas?

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