

**INDIAN INSTITUTE OF ENGINEERING SCIENCE AND TECHNOLOGY,
SHIBPUR**

B.Tech (ETC/CST/EE/IT) 6th Semester Mid Semester Examinations, April, 2021

ECONOMICS (HU-5601)

Full Marks: 30.

Time: 45 Minutes plus 15 minutes for uploading

All Questions are Compulsory

1.
 - a) State the assumptions of law of demand and explain why demand curve is downward sloping (5)
 - b) What is the difference between Veblen good and Giffen good? (2)
 - c) Explain the limitations of cardinal utility theory. (3)

2.
 - a) Explain briefly the different types of elasticities of demand. (4)
 - b) Explain the mid-point method to calculate elasticity. (3)
 - c) Consider the demand for a good. At price Rs 4, the demand for the good is 25 units. Suppose price of the good increases to Rs 5, and as a result, the demand for the good falls and it becomes 20 units. Calculate the price elasticity and comment. (3)

3.
 - a) How consumer's equilibrium can be achieved in the ordinal utility theory of consumer behavior? (5)
 - b) A 5% fall in price of a good leads to 10% rise in its demand. A consumer buys 40 units of good at a price of 10 per unit. How many units will he buy at a price of 12 per unit? (2.5)
 - c) Two goods have a cross-price elasticity of demand of +1.2. Would you describe the goods as substitutes or complements? If the price of one of the goods rises by 5 per cent, what will happen to the demand for the other good, holding other factors constant? (2.5)