

Fakir Chand College

B.Sc Part II Honours Examination 2020

Third Paper

Group – A

Full Marks : 25

Answer any five questions (5X5=25)

1. Suppose Radha views butter and margarine as perfect substitutes for each other.
 - a) Draw a set of indifference curves that describes her preferences for butter and margarine.
 - b) Are these indifference curves convex? Give reason for your answer. 3+2
2. Do you agree with the statement -a giffen good is necessarily an inferior good. Justify your answer. 5
3. Consider the production function given by $Q = 150L$, where Q is total output and L is the quantity of labour employed.
 - a) What does the total product curve look like?
 - b) Draw the corresponding AP and MP curves. 3+2
4. Suppose that a producer's total cost function is as follows:
 $TC = 300 + 3Q + 0.02 Q^2$ where TC is the total cost in rupees and Q is the quantity produced. Obtain Total Fixed Cost (TFC), Average Fixed Cost (AFC), Total Variable Cost (TVC), Average Variable Cost (AVC) and Marginal Cost (MC) functions. 5
5. Should a Competitive firm ever produce when it is making negative economic profit?
6. Does a monopolist have a supply curve? Explain. 5
7. Why could economic rent be variable with respect to the owner of a specific resource? 5
8. In an economy, clothing and food are produced with the help of labour and capital. If $w = r = \text{Rs.}4$ per hour and MP_L/MP_K equals 2 in clothing production and $\frac{1}{2}$ in food production then is the economy producing efficiently? Justify. 5

Third Paper

Group – B

Full Marks : 25

Answer any five questions (5X5=25)

9. Obtain the equilibrium value of Y for $C=25+0.7Y$ and $I=5+0.2Y$. 5
10. State the basic structure of life-cycle hypothesis. 5
11. How will the LM curve look like if transactions demand for money depends only upon the rate of interest? 5
12. Compare briefly between transaction version and the income version of quantity theory of money. 5
13. How does the permanent income hypothesis solve the problem of standard Keynesian consumption theory? 5
14. In the Solow growth model how does the saving rate affect the steady-state level of income? 5
15. How is the macroeconomic policy conflict reflected through the short-run Phillips curve? 5
16. How is residential investment related to rate of interest? 5