

10/5

II/ECO (ii)

2013

(2nd Semester)

ECONOMICS

SECOND PAPER

(**Microeconomics-II**)

Full Marks : 75

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 50)

*The figures in the margin indicate full marks
for the questions*

Answer **all** questions

1. Critically explain the Ricardian theory of rent. 10

Or

Critically explain the innovation theory of profit.

2. Critically examine the comparative advantage theory of international trade. 10

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(Turn Over)

(2)

Or

State and explain the absolute advantage theory of international trade.

3. What is compensation principle? Discuss Kaldor-Hicks compensation principle. 2+8=10

Or

What is Welfare Economics? Discuss the efficiency of allocation of factors among firm-producers. 2+8=10

4. Explain the criterion of the marginal efficiency of capital. How can investment decisions be made on the basis of this criterion? 5+5=10

Write short notes on any two of the following :

5×2=10

- (a) Payback period
- (b) Net present value
- (c) Relation between risk and investment

5. Explain the determination of equilibrium of a firm in a factor market under condition of a single-variable factor. 10

Or

What is meant by optimum resource supply to the market? Explain the factor market equilibrium. 2+8=10

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ECONOMICS

SECOND PAPER

(**Microeconomics—II**)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—A

(Marks : 10)

Tick (✓) the correct answer in the brackets provided :

1×10=10

1. The marginal productivity theory of distribution was firstly formulated in its complete form by

(a) Adam Smith ()

(b) J. S. Mill ()

(c) J. B. Clark ()

(d) David Ricardo ()

2. The 'iron law of wages' is

- (a) the wage-fund theory ()
- (b) the marginal productivity theory of wages ()
- (c) collective bargaining ()
- (d) the subsistence theory of wages ()

3. Factor prices are determined in the markets under forces of

- (a) elasticity of demand ()
- (b) demand and supply ()
- (c) elasticity of supply ()
- (d) None of the above ()

4. The firm is in equilibrium in the factor-market when it employs units of labour up to the point where

- (a) the marginal revenue product of labour is equal to its marginal cost ()
- (b) the marginal revenue product of labour is more than its marginal cost ()
- (c) the marginal revenue product of labour is less than its marginal cost ()
- (d) None of the above ()

5. According to Kaldor-Hicks compensation criteria, the proposed change will increase the social welfare if

- (a) the gains are equal to the losses ()
- (b) the losses are greater than the gains ()
- (c) the gains are greater than the losses ()
- (d) None of the above ()

6. The concept of social welfare function was firstly introduced by

- (a) Pareto ()
- (b) Kaldor ()
- (c) Bergson ()
- (d) Samuelson ()

7. The period of time required to recover the cost of investment in a project from cash inflows is known as

- (a) internal rate of return ()
- (b) payback period ()
- (c) net present value ()
- (d) capital budgeting ()

8. The rate of discount which equilibrates the cost of capital good and the expected future returns from the capital good is known as

- (a) internal rate of return ()
- (b) net present value ()
- (c) average annual rate of return ()
- (d) None of the above ()

9. The basis of trade between countries lies in the

- (a) difference in factor endowment ()
- (b) difference in monetary standard ()
- (c) difference in political system ()
- (d) All of the above ()

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

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

(5)

SECTION—B

(Marks : 15)

Write short notes on the following :

3×5=15

1. Quasi-rent

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(6)

2. Average Annual Rate of Return

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3. Quotas

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4. Liquidity Trap

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5. Social Welfare Function

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