

Programme Name : BCP (Semester V)

Course Name : Principles of Micro Economics BC 5.4(a)

Semester Duration – July to November

QUESTION BANK

1. What do you mean by a demand function? Explain the factors on which demand of a product will depend.
2. Discuss the law of demand. Are there any exceptions to this law?
3. Why does demand curve usually slope downward to the right?
4. What does the rectangular hyperbola demand curve show?
5. Illustrate with diagrams and distinguish between:
 - (1) Extension and increase in demand,
 - (2) Contraction and decrease in demand.
6. Distinguish between market demand and individual demand. How a market demand curve can be derived.
7. Explain Giffen paradox and Veblen product.
8. Explain Bandwagon effect and snob appeal.
9. What are the inferior goods? How they are different from Giffen goods.
10. What do you mean by price elasticity of demand? Why is the sign of price elasticity of demand negative?
11. Explain various methods of measuring price elasticity of demand.
12. Is the slope of a demand curve the same as its elasticity?
13. The slope of demand curve is one of the ingredients of the elasticity of demand but not the only. Explain.
14. What factors affect the coefficient of price elasticity of demand?
15. Explain giving reasons why demand for necessities is inelastic.
16. Prove that elasticity varies along a straight line demand curve.
17. Show that two downward sloping parallel straight line demand curves have unequal price elasticity at a given price.
18. Prove for two parallel demand curves, the one farther from the origin is less elastic at each price than the one closer to the origin.
19. If two straight line demand curves intersect each other, which of them will have higher elasticity of demand at the point of intersection?
20. Prove price elasticity of two intersecting straight line curves at the point of intersection merely by comparing the slopes. Explain by using a diagram.
21. Explain the relationship between AR, price elasticity of demand and MR.
22. With the help of calculus, explain how AR, MR and elasticity of demand are related to each other? If AR is a rectangular hyperbola, draw the corresponding MR curve.
23. What is income elasticity of demand? If the income elasticity of demand is positive what will be the slope of the Engel Curve?

24. Write short notes on (or differentiate between): (1) Income elasticity of demand, and (2) Cross-elasticity of demand.
25. What is cross elasticity of demand? What happens to demand for commodity x when both the price of the substitute and complement of commodity x rises.
26. Why is it said that when two commodities are substitutes for each other, the cross elasticity of demand between them is positive while when they are complements, it is negative?
27. Define cross elasticity of demand.
28. Define supply of a commodity. What are the factors which determine supply of a commodity?
29. What is law of supply? Explain with the help of supply schedule and supply curve?
30. Distinguish between movement along a supply curve and shift in the supply curve. What are the factors which cause shift in the supply curve?
31. Why does supply curve generally slope upward to the right?
32. Distinguish and illustrate with the help of diagram between
 - a) Extension and increase in supply
 - b) Contraction and decrease in supply.
33. Define elasticity of supply. Prove that any straight line supply curve passing through the origin has value of elasticity equal to one.
34. What does the price elasticity of supply measure in general? Show that elasticity of supply on a straight line supply curve passing through the price axis is greater than one.
35. What are the factors affecting market supply of a commodity.
36. What are indifference curves? Discuss their properties.
37. What are economic bads and neuter goods? What will be the likely shape of indifference curve when one of the goods is an economic bad.
38. Draw indifference curve between two economic goods and, one economic good and one economic bad. Explain
39. Write a short note on indifference map.
40. Draw indifference map between two goods that are perfect substitutes. What can you say about consumer equilibrium?
41. Explain the marginal rate of substitution of commodities x for y (MRS_{XY}). Draw an indifference curve when MRS_{XY} is: (i) constant, (ii) increasing and, (iii) decreasing.
42. "All Giffen goods are inferior goods but all inferior goods are not Giffen goods." Explain this statement with the help of indifference curves.
43. Define budget line. How its slope can be measured.
44. Explain the equilibrium of consumer through indifference curve technique.
45. How will the equilibrium of the consumer change with a change in his money income if one of the commodities is an inferior commodity?
46. Explain diagrammatically the price, income and substitution effects with the help of indifference curve analysis.
47. "Price effect is a combination of income effect and substitution effect." Explain diagrammatically in case of a (i) normal, (ii) inferior, and (iii) Giffen good.
48. Why price effect is a summation of income and substitution effects.

49. Derive the demand curve from the price consumption curve for a Giffen good.
50. Derive Engel's curve from income consumption curve.
51. What is the relationship between price elasticity and PCC? Discuss with the help of diagrams.
52. What is production function? How does a long-run production function differ from short-run production function?
53. Explain the law of variable proportions. What are the different stages of production? In which stage will the rational producer operate?
54. What are three stages of production? In which stage of production producer produce and why?
55. What is an Isoquant? Explain various properties of Isoquants?
56. Draw isoquants, if the two factors of production, namely labour and capital are: (i) Perfect substitutes to each other, and (ii) Perfect complement to each other
57. Explain the concept of elasticity of substitution (e_s) between two factors of production. What shape will isoquant take when (a) $e_s = 0$ and (b) $e_s = \infty$.
58. Explain the properties of isoquants.
59. Explain Marginal Rate of Technical Substitution (MRTS). What do you understand from the diminishing MRTS in case of an isoquant?
60. Explain the concept of an isocline.
61. What conditions does a producer need to satisfy to attain equilibrium?
62. Use isoquants and isocost curves to show
 - (i) How a producer minimizes his cost of production for a given output?
 - (ii) How a producer maximizes his output subject to a cost constraint?
63. What are isoquants? Explain the equilibrium of a producer using isoquant map.
64. What do you understand by an expansion path of a firm?
65. Explain the laws of Returns to Scale. Show the three kinds of returns to scale with the help of isoquants.
66. Show increasing, constant and decreasing return to scale with the help of isoquant map.
67. If all inputs are increased in the same proportion then output also increases by the same proportion. Explain.
68. Explain economies and diseconomies of scale.
69. Distinguish between write short notes on the following:
 - (a) Fixed cost and sunk cost
 - (b) Accounting costs and economic costs
 - (c) Explicit costs versus Implicit costs
 - (d) Accounting cost vs. Economic Cost,
 - (e) Private cost vs. Social cost,
 - (f) Opportunity cost
70. Why does the gap between SAC and SAVC curves become narrower and narrower?
71. Why a LAC curve is not necessarily U-shaped?
72. How can you derive the Long-run Average Cost (LAC) from the Short-run Average Cost (SAC)?

73. Explain with diagram the derivation of long-run marginal cost curve.
74. Explain that LMC is derived from short-run MC curves but does not envelope them.
75. Write a short note on backward bending supply curve of labour.