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Name.....

Reg. No.....

SECOND SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION, APRIL 2020

Economics

ECO 1C 01 AND ECO 2C 01—ESSENTIALS OF ECONOMICS—MICRO AND ESSENTIALS OF ECONOMICS—MACRO

Time : Three Hours

Maximum : 80 Marks

Section A (Very Short Answer Questions)

Answer all six Questions from Part I and all six Questions from Part II.

PART I

1. The study of the behavior of firms, individual markets, and households is called _____.
(a) Behavioural Economics. (b) Welfare Economics.
(c) Microeconomics. (d) Macroeconomics.
2. The market-clearing price is also called the _____ and is the price at which _____.
(a) Prevailing price ; the supply and demand curve cross.
(b) Prevailing price ; the supply curve crosses the y-axis.
(c) Equilibrium price ; the supply and demand curve cross.
(d) Special price ; the supply and demand curve cross.
3. The cost of producing 5 units is Rs. 567. The cost of producing 6 units is Rs. 768. The marginal cost of producing the sixth unit is _____.
(a) Rs. 128. (b) Rs. 113.
(c) Rs. 201. (d) Rs. 768.
4. A perfectly inelastic demand curve will be _____ on a graph while a perfectly elastic demand curve will be _____ on a graph.
(a) vertical ; horizontal. (b) horizontal ; vertical.
(c) vertical ; vertical. (d) horizontal ; horizontal.
5. $P \times Q =$
(a) MC. (b) TR.
(c) MR. (d) TC.

Turn over

6. Total costs equal _____.

- (a) $MC + AC$ (b) $FC + MC$
 (c) $MC + VC$ (d) $FC + VC$.

PART II

7. Which of the following is GDP measured in actual market prices ?

- (a) Actual GDP. (b) Nominal GDP.
 (c) Potential GDP. (d) Real GDP.

8. If we have a Cobb-Douglas aggregate production function, the term "constant returns to scale" refers to the fact that :

- (a) Share of capital in production is always equal to the share of labor.
 (b) Marginal product of capital always equals marginal product of labor.
 (c) Share of capital and share of labor in production add up to one.
 (d) Total factor productivity is equal to one.

9. $GDP =$

- (a) $C + I + G + M$. (b) $C + G + X$.
 (c) $C + I + G + X$. (d) None of the above.

10. Which of the following is NOT an issue in macroeconomics ?

- (a) Issues relating to the balance of payment.
 (b) The determination of prices in the agricultural sector.
 (c) The relationship between inflation and unemployment.
 (d) The possible effect of budget deficit increases on the level of investment.

11. In order to avoid _____, when calculating GDP, one should include only the final goods and exclude the intermediate goods that are used in the production process.

- (a) Inflation. (b) Statistical bias.
 (c) Double counting. (d) Value-added.

12. Transfer payments refer to _____.

- (a) Total number of inputs used in production.
 (b) Government payments to individuals not for goods or services supplied.
 (c) Capital that has been used in a year.
 (d) All of the above.

(12 × ½ = 6 marks)

Section B (Very Short Answer Questions)

Answer any five questions from Part I and any five questions from Part II.

PART I

13. Sociology.
14. Marginal Utility
15. Inelastic Demand.
16. Opportunity Cost.
17. Breakeven Point.
18. Increasing Returns to Scale.

PART II

19. laissez faire.
20. Wage-price Rigidity.
21. NNP.
22. NDP at Market Price.
23. Consumption.
24. Under-employment Equilibrium.

(10 × 2 = 20 marks)

Section C (Very Short Answer Questions)

Answer any three questions from Part I and any three questions from Part II.

PART I

25. What is the relationship between Psychology and Economics ?
26. Distinguish between the short run and the long run.
27. What is the difference between fixed and Variable costs ?
28. Illustrate the Law of Diminishing Marginal Utility with an appropriate schedule and graph.

PART II

29. Distinguish between GDP at Factor Cost and GDP at Market Price.
30. How do we arrive at Disposable Income from GNP ?

Turn over

31. Explain the Keynesian concept of Effective Demand.
32. Briefly explain the Cobb Douglas and CES production function.

(6 × 5 = 30 marks)

Section D (Very Short Answer Questions)

Answer any one question from Part I and any one question from Part II.

PART I

33. Write an essay on economies of scale faced by a plant.
34. Detail the basic economic problem faced by all economies and how they find solutions to it.

PART II

35. What are the difficulties faced in the estimation of National Income ?
36. Elaborate the major Classical postulates.

(2 × 12 = 24 marks)