SHRI GURU NANAK DEGREE COLLEGE

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B.A. 1ST SEMESTER
ECOMJ101- BASIC OF MICROECONOMICS

LONG QUESTIONS:-

Unit I: Definition, Nature, Scope, Methods, Equilibrium

1. Critically evaluate the different definitions of economics provided by classical and modern economists, emphasizing their relevance in contemporary economic analysis.
2. Discuss the nature and scope of microeconomics, highlighting its role in understanding individual economic units.
3. Explain the various methods of economic analysis and assess their applicability in microeconomic studies.
4. Differentiate between static and dynamic analysis in economics with suitable examples.
5. Explain the concepts of partial and general equilibrium, comparing their assumptions and practical relevance.
6. Discuss the significance of equilibrium in microeconomic theory with the help of relevant diagrams.
7. Explain the different approaches to the study of microeconomics, emphasizing the relevance of marginal analysis.
8. Critically analyze the limitations of microeconomic analysis in addressing macroeconomic issues.
9. Explain the static and dynamic aspects of equilibrium and discuss their implications in price determination.

10. Discuss the significance of microeconomic analysis for policy formulation in developing economies.

Unit II: Theory of Demand, Utility, Indifference Curve, Consumer Behaviour

11. Discuss the law of demand and critically examine the exceptions to this law.
12. Explain the cardinal utility analysis and critically evaluate its assumptions and limitations.
13. Differentiate between cardinal and ordinal utility analysis with suitable diagrams.
14. Discuss the consumer equilibrium under the cardinal utility approach, illustrating with numerical examples.
15. Explain the indifference curve analysis and its importance in understanding consumer behavior.
16. Discuss the properties of indifference curves and the concept of the marginal rate of substitution.
17. Explain the price, income, and substitution effects under Hicksian analysis with the help of diagrams.
18. Critically analyze the revealed preference theory as an alternative to indifference curve analysis.
19. Explain the concept of Giffen goods and illustrate how they violate the law of demand.
20. Discuss the measurement and significance of consumer surplus under Marshallian and Hicksian approaches.
21. Critically evaluate the applicability of the law of diminishing marginal utility in modern consumer behavior analysis.
22. Discuss the concept and calculation of price elasticity of demand, illustrating its importance in managerial decision-making.
23. Explain the factors determining the elasticity of demand for a commodity.
24. Discuss cross elasticity and income elasticity of demand, emphasizing their significance in economic analysis.
25. Critically analyze the limitations of the indifference curve approach in real-life consumer behavior study.

Unit III: Theory of Production, Returns to Scale, Cost and Revenue Analysis

26. Discuss the law of variable proportions and explain its relevance in the short-run production analysis.
27. Explain the concept of production function, illustrating the role of isoquants and isocosts in producer equilibrium.
28. Differentiate between returns to scale and returns to a variable factor, illustrating with numerical examples.
29. Discuss the concepts of fixed and variable proportions in the context of production theory.
30. Explain the concept of economies of scale and discuss their types and implications for firms.
31. Explain the concept and calculation of total, average, and marginal cost, illustrating their interrelationship with diagrams.
32. Discuss the short-run and long-run cost curves and explain their significance in decision-making.
33. Explain the concept and calculation of total, average, and marginal revenue under perfect and imperfect competition.
34. Discuss the equilibrium of the firm under cost and revenue analysis with the help of diagrams.
35. Critically analyze the importance of the production possibility curve in explaining the concept of opportunity cost.
36. Explain the concepts of expansion path and ridge lines under the theory of production.

Unit IV: Market Structures, Price Determination, Factor Pricing

37. Discuss the equilibrium of the firm under perfect competition, using diagrams to illustrate short-run and long-run scenarios.
38. Explain the price and output determination under monopoly, illustrating with diagrams and numerical examples.
39. Discuss the concept of monopolistic competition, emphasizing price determination and selling costs.
40. Explain the conditions for price discrimination under monopoly, with practical examples.

41. Differentiate between perfect competition, monopoly, and monopolistic competition in terms of price and output determination.
42. Explain the marginal productivity theory of distribution and critically evaluate its assumptions.
43. Discuss the theories of rent with special reference to Ricardian and modern theories.
44. Explain the classical and modern theories of wage determination.
45. Discuss the different theories of profit and highlight their relevance in modern economic analysis.
46. Explain the concept of quasi-rent and discuss its significance in factor pricing.
47. Critically analyze the limitations of the marginal productivity theory of distribution in explaining factor pricing in the real world.
48. Discuss the role of market structure in determining the price and output decisions of firms.
49. Explain the relationship between average revenue, marginal revenue, and price elasticity under different market conditions.
50. Discuss the role of factor markets in the allocation of resources in a market economy.

SHORT QUESTIONS:-

Unit I: Definition, Nature, Scope, Methods, Equilibrium

1. Who is known as the father of economics?
2. Define microeconomics.
3. What is the scope of microeconomics?
4. What do you mean by static analysis?
5. Define dynamic analysis.
6. What is partial equilibrium?
7. What is general equilibrium?
8. State the law of equilibrium in microeconomics.
9. Write one limitation of microeconomics.
10. What is economic equilibrium?

Unit II: Theory of Demand and Consumer Behaviour

11. Define demand.
12. State the law of demand.
13. Give one exception to the law of demand.
14. Define utility.
15. What is cardinal utility?
16. What is ordinal utility?
17. State the law of diminishing marginal utility.
18. What is an indifference curve?
19. What is the marginal rate of substitution?
20. Define consumer's equilibrium under indifference curve analysis.
21. What is a Giffen good?
22. Define consumer surplus.
23. What is price elasticity of demand?
24. Write the formula for price elasticity of demand.
25. Define income elasticity of demand.

Unit III: Theory of Production and Cost

26. What is production in economics?
27. Define production function.
28. State the law of variable proportions.
29. What is the meaning of returns to scale?
30. Define isoquant.
31. What is an isocost line?
32. What is the expansion path?
33. Define total cost.
34. Define average cost.
35. Define marginal cost.
36. What is the relationship between marginal cost and average cost?
37. What is total revenue?
38. Define marginal revenue.
39. Define average revenue.

Unit IV: Market Structures and Factor Pricing

40. What is perfect competition?
41. Define monopoly.
42. What is monopolistic competition?
43. What is price discrimination?
44. State the marginal productivity theory of distribution.
45. What is rent in economics?
46. What is quasi-rent?
47. Define wage.
48. Define profit.
49. What is the relationship between AR and MR under perfect competition?
50. Name one factor that influences the price determination in the market.

OBJECTIVES QUESTIONS

Unit I: Basic Concepts and Methods

1.Who defined economics as "the study of wealth"?

a) Alfred Marshall

b) Adam Smith

c) Robbins

d) Samuelson

2. Microeconomics deals with:

a) National income

b) General price level

c) Individual units

d) Economic growth

3. The study of economics at the aggregate level is called:

a) Microeconomics

b) Macro economics

c) Partial equilibrium

d) Utility analysis

4. Static analysis studies economics:

a) In a dynamic state

b) At a point of time

c) Over a period of time

d) In monetary terms

5. Dynamic analysis is concerned with:

a) Stationary variables

b) Changes over time

c) Unchanged variables

d) Wealth accumulation

6. The equilibrium of a single market is known as:

a) General equilibrium

b) Dynamic equilibrium

c) Partial equilibrium

d) None of the above

7.General equilibrium analysis is associated with:

a) Alfred Marshall

b) Adam Smith

c) Walras

d) David Ricardo

8. The term ‘Economics’ is derived from the Greek word ‘Oikonomia’ which means:

a) Wealth

b) Management of household

c) Trade

d) Labour

9. Which analysis focuses on the allocation of resources?

a) Macroeconomics

b) Microeconomics

c) Dynamic analysis

d) None of the above

10.The basic economic problem is:

a) Scarcity

b) Money

c) Labour

d) Capital

Unit II: Demand and Consumer Behaviour

11. Demand for a commodity refers to:

a) Desire to buy

b) Ability to buy

c) Willingness to buy

d) Desire backed by purchasing power

12. The law of demand shows:

a) Direct relation between price and demand

b) Inverse relation between price and demand

c) No relation

d) Constant demand

13. An example of a Giffen good is:

a) Rice

b) Bread

c) Inferior goods whose demand increases with price

d) Luxury cars

14. The slope of the demand curve is generally:

a) Upward

b) Downward

c) Horizontal

d) Vertical

15. Utility means:

a) Usefulness

b) Satisfaction

c) Wealth

d) Price

16. Marginal utility refers to:

a) Total satisfaction

b) Additional satisfaction

c) Total expenditure

d) None of the above

17.The law of diminishing marginal utility was given by:

a) Adam Smith

b) Marshall

c) Robbins

d) Keynes

18. Indifference curves are:

a) Upward sloping

b) Downward sloping

c) Horizontal

d) Vertical

19. MRS under indifference curve analysis is:

a) Increasing

b) Constant

c) Diminishing

d) Zero

20. Price elasticity of demand measures:

a) Change in demand due to change in income

b) Change in demand due to change in price

c) Change in supply due to price

d) Change in cost

21. If demand changes more than proportionately to price, elasticity is:

a) Less than 1

b) Equal to 1

c) Greater than 1

d) Zero

22. Consumer surplus was developed by:

a) Marshall

b) Adam Smith

c) Keynes

d) Walras

23. Engel curve shows the relationship between:

a) Price and quantity

b) Income and quantity demanded

c) Price and demand

d) Supply and demand

24. Cross elasticity of demand relates to:

a) Income and demand

b) Price of related goods

c) Demand and supply

d) Marginal cost

25. Cardinal utility analysis is based on:

a) Ordinal measurement

b) Measurable utility in numbers

c) Satisfaction ranking

d) None of the above

Unit III: Production and Cost

26. Production function shows the relationship between:
a) Input and output

b) Price and output

c) Cost and output

d) Revenue and cost

27. Law of variable proportions applies to:

a) Long period

b) Short period

c) Both

d) Neither

28. Isoquants represent:

a) Different input combinations yielding the same output

b) Different cost combinations

c) Price combinations

d) Utility combinations

29.An isocost line shows:

a) Output levels

b) Cost levels for inputs

c) Revenue levels

d) Price levels

30. Returns to scale operate in:

a) Long run

b) Short run

c) Static analysis

d) Dynamic analysis

31.Marginal cost is:

a) Total cost divided by output

b) Addition to total cost due to additional unit

c) Total cost minus variable cost

d) None of the above

32. In the short run, fixed cost is:

a) Zero

b) Variable

c) Constant

d) Increasing

33. Average cost equals:

a) Total cost × Quantity

b) Total cost ÷ Quantity

c) Marginal cost × Quantity

d) None of the above

34. If marginal cost is below average cost, average cost will:

a) Increase

b) Decrease

c) Remain constant

d) None of the above

35. Marginal revenue is the addition to:

a) Total cost

b) Total revenue

c) Total utility

d) Total demand

Unit IV: Market Structures and Factor Pricing

36. Perfect competition is characterized by:
a) Single seller

b) Many buyers and sellers

c) Price control

d) Product differentiation

37. Under monopoly, the demand curve is:

a) Perfectly elastic

b) Perfectly inelastic

c) Downward sloping

d) Horizontal

38. Monopolistic competition involves:

a) Homogeneous products

b) Product differentiation

c) Single seller

d) Price takers

39. Price discrimination means:

a) Same price for all

b) Different prices for different buyers

c) Free pricing

d) None of the above

40. The theory of rent was developed by:

a) Marshall

b) Ricardo

c) Keynes

d) Adam Smith

41. Marginal productivity theory is related to:

a) Consumption

b) Production

c) Factor pricing

d) Market structures

42. Quasi-rent arises in:

a) Land

b) Capital equipment

c) Labour

d) Profits

43. Profit is the reward for:

a) Land

b) Capital

c) Organisation

d) Labour

44.Wage is the payment for:

a) Land

b) Labour

c) Capital

d) Enterprise

45. The relationship between AR and MR under perfect competition is:

a) AR > MR

b) AR = MR

c) AR < MR

d) AR = 0

46.Price determination under perfect competition is decided by:

a) Seller

b) Buyer

c) Market forces of demand and supply

d) Government

47. In monopoly, price and output are determined by:
a) Market demand and supply
b) The monopolist
c) Government
d) Consumer preferences

48.Product differentiation is a feature of:
a) Perfect competition
b) Monopoly
c) Monopolistic competition
d) Oligopoly

49. Factor pricing helps in:
a) Price control
b) Distribution of income
c) Demand creation
d) None of the above

50. The rent paid for the use of land is:
a) Contractual rent
b) Economic rent
c) Quasi-rent
d) None of the above