

DISTANCE EDUCATION

B.B.M. DEGREE EXAMINATION, MAY 2008.

PRINCIPLES OF ECONOMICS

Time : Three hours

Maximum : 100 marks

PART A — (6 × 5 = 30 marks)

Answer any SIX questions.

1. What are the three methods of measuring national income? Explain shortly.
2. What are the important propositions of Malthusian Theory of population?
3. Point out the exceptions to a demand curve.
4. State any five limitations to consumer's sovereignty.
5. Differentiate between money cost and real cost.
6. Distinguish between the 'firm' and 'industry' under the conditions of monopoly.
7. What is marginal Land? Explain.
8. What is meant by 'Liquidity Trap'.
9. What is profit?

PART B — (5 × 14 = 70 marks)

Answer any FIVE questions.

10. What is consumer's surplus? Enumerate the assumptions of this concept and bring out its practical use.

(Definition – 4 marks ; Assumptions – 5 marks ; uses – 5 marks)

11. Explain the Laws of Returns to scale.

12. Explain Optimum Theory of population. Bring out the differences of this theory with Malthusian Theory of population.

(Optimum theory – 6 marks ; comparison – 8 marks)

13. Diagrammatically show the structure of the various average cost curves of the firm for the short-run and explain why the total average cost curve is U shaped.

(Average cost curves – 10 marks ; U-shape of AC – 4 marks)

14. Explain critically the Liquidity Preference Theory of Interest.

(Theory – 4 marks ; Explanation – 10 marks)

15. What do you understand by 'discriminating monopoly'? In what ways can a monopolist practise discrimination?

(Definition – 5 marks ; ways of discrimination – 10 marks)

16. Critically examine the Marginal Productivity Theory of Wages.

(Theory – 4 marks ; Explanation – 10 marks)

17. Define 'Indifference curve', and Marginal Rate of substitution. Also explain Consumer's Equilibrium.

(Indifference curve – 2 marks ; MRS – 3 marks ; explanation – 9 marks)
