

**Guideline
for
B.Com(Hons.)
Paper – CH 1.3: Semester – I
Micro Economics - I
for the
Academic year 2012-13**

Structure of the Question Paper

The question paper shall consist of 5 questions in all each of which shall carry 15 marks. Each question of 15 marks may have three parts of 5 marks each; or two parts each of which would carry 7.5 marks or two parts carrying 5 and 10 marks respectively. The break-up of the question into subparts depends upon the nature of the question, topic and feasibility of setting such types of questions and similar considerations. Each of these questions shall offer internal choice for each of those parts, or internal choice for the questions as a whole, or a mixture of the two. Numerical as opposed to (algebraic derivations and proofs involving and/or not involving calculus) may be asked. No question requiring the plotting of graphs shall be asked but this does not preclude the drawing of diagrams required in the answer to a question.

Two questions carrying a total of 30 marks shall be set from Units 1 and 2 taken as a whole (i.e. treated as if units I & II were a single unit). In doing this no unit is to be ignored. There will be three questions carrying a total of 45 marks shall be set with one each as far as possible from each of the remaining three units viz. units 3 to 5.

II Detailed Guidelines for Readings:

1. The concept of demand and the elasticity of demand and supply. Demand curves: individual's demand curve, market demand curve, market demand curve. Movement along versus shifts in the demand curve.

Gould JP and Lazear EP, Microeconomic Theory 6th edition Ch – 1 pp 10 – 20.

Salvatore D, Microeconomic Theory Schaum's Outline Series, 3rd edition, Ch – 2. pp 14 - 31.

The Elasticity of demand, price income and cross. Concept of revenue: marginal and average revenue and elasticity of demand.

Gould JP and Lazear EP, op. cit., Ch – 5

Salvatore D, Microeconomic Theory Schaum's Outline Series, 3rd edition, Ch –3. pp 38-59.

2. Consumer Behaviour: Notion of indifference and preference. Indifference curve analysis of consumer behaviour, consumer's equilibrium (necessary & sufficient conditions). Price elasticity and price consumption curve, income consumption curve and Engel curve, price change and income and substitution effects.

Browning EK and Browning JM, Microeconomics Theory and Applications, 2nd edition
Ch – 2, pp 28-58 (only star marked questions), Ch – 3 pp 64-70, 73-85, 100-102, 104-106.
Gould JP and Lazear EP, op. cit., Ch – 3 pp 68 – 78, but not including the numerical on pages 69-70.

Consumer surplus

Browning EK and Browning JM, op. cit. Ch – 4 pp 131-136. and pp 138-140 problems 2, 18, 19, 21 and 22.

Indifference curves as an analytical tool (cash subsidy Vs Kind subsidy) this is to be interpreted as lump-sum subsidy Vs Excise subsidy.

Browning EK and Browning JM, op. cit., Ch –4 pp 107-110

Revealed Preference (only the two commodities case to be done).

Green, H.A.J. Consumer Theory Revised Edition 1976, Ch. 8 pp 121-123

3. Production: Fixed and variable inputs, production function, total marginal and average products, law of variable proportions. Linear homogeneous production function. Production isoquants, marginal rate of technical substitution, economic region of production, optimal combination of resources, expansion path, isoclines, returns to scale.

Pindyck R.S., Rubinfeld D.L. and Mehta P.L. – Microeconomics 7th edition (2009), Ch – 5 pp 147-163 (excluding examples 5.1) and pp 169 (Review questions only).

Salvatore D, Microeconomics – Theory and Applications, IV edition (Oxford University Press), CH – 7, pp 207-210.

Gould JP and Lazear EP, op. cit., Ch –6 pp 165 – 166 (for linear homogeneous production function), and Ch – 7 pp 187-201 (excluding the foot note 11 given on page 199).

Salvatore D, Microeconomic Theory Schaum's Outline Series, 3rd edition, Ch – 6 pp 121-143, 146-148, (excluding problems 6.5 to 6.9 and 6.28).

Ch 8 section 8.1 page 179.

4. Cost of Production: Social and private cost of production, difference between economic and accounting costs, short run and long run costs of production. Economies and diseconomies of scale and the shape of the long run average cost curve. Economies of scope. Learning curve.

Gould JP and Lazear EP., op. cit., Ch – 8 pp 208-210.

Pindyck R.S. and Rubinfeld D.L. and Mehta P.L. – Microeconomics 7th edition (2009) Ch 6, pp 171-198, 201-204 (excluding Table 6.3), 211 (only review questions).

5. Perfect Competition: Assumptions, price and output decisions. Equilibrium of the firm and the industry in the short and the long runs, including industry's long run supply, difference between accounting and economic profits, producer surplus.

Pindyck R.S. Rubinfeld D.L. and Mehta P.L. Microeconomic 7th edition (2009) Ch –7 and 8 pp 259-263, 279-283.

Stability analysis – Walrasian and Marshallian.
Bilas R, Microeconomic Theory Ch – 2 pp 24-29

In the readings specified above exclude case studies and matter in boxes.

(Students are required to read all the footnotes given in the prescribed texts).

[The Examiner is required to ensure that the paper is not only within the ambit of the readings, but takes into account the time taken by the examinees to read the question paper].