

2016

ECONOMICS

( Major )

Paper : 2.1

( Microeconomics—II )

Full Marks : 80

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

1. Answer the following as directed :  $1 \times 10 = 10$

(a) Define payback period.

(b) Quasi-rent = Total revenue  
earned - \_\_\_\_\_.

(Fill in the blank)

(c) The demand curve for a perfectly  
competitive firm is

(i) a horizontal straight line

(ii) downward sloping

(iii) positively sloping

(Choose the correct answer)

(d) Monopoly price is a function of marginal  
cost and price elasticity of demand.

(Write True or False)

- (e) What do you mean by product differentiation?
- (f) What is Pareto optimality?
- (g) Value of Marginal Product =  
Marginal Physical Product  $\times$  ———.  
(Fill in the blank)
- (h) Define transfer earning.
- (i) Selling cost is an element of production cost.  
(Write True or False)
- (j) What do you mean by reservation price?

2. Answer the following questions : 2×5=10

- (a) Mention the equilibrium conditions of a discriminating monopolist.
- (b) Mention any two issues of Welfare Economics.
- (c) Suppose that the single monopoly price is ₹ 15 and elasticities of demand in sub-markets A and B are 2 and 5 respectively. Calculate MR in sub-markets A and B.
- (d) Distinguish between rent and quasi-rent.
- (e) Point out the differences between personal distribution and functional distribution.

3. Answer any *four* of the following questions :

5×4=20

- (a) Explain the concept of excess capacity of a firm under monopolistic competition. Mention two causes of occurrence of excess capacity.
- (b) Distinguish between perceived and proportionate demand curves.
- (c) A perfectly competitive firm has the following total cost function :

Total output (units)	:	0	1	2	3	4	5
Total cost (in ₹)	:	20	30	42	55	69	84

How much the firm will produce if the price of the product in the market is ₹ 12 and ₹ 14 per unit?

- (d) Define uncertainty. What are the various types of risks?
- (e) "Marginal cost curve is the supply curve of a firm under perfect competition." Explain.
- (f) Explain the concepts of monopolistic and monopsonistic exploitations with the help of a diagram.

4. Answer the following questions : 10×4=40

- (a) Determine the long-run normal price under increasing cost, decreasing cost and constant cost industries.

10

Or

"The main aim of a firm under perfect competition is to determine its output only, not the price." Explain. 10

- (b) What are the conditions for profitable price discrimination? Explain the concept of consumer's surplus under different degrees of price discrimination. 2+8=10

Or

"Monopoly price and profit are higher but output is lower than perfect competition." Discuss. 10

- (c) Critically discuss Hicks and Kaldor views on welfare. 10

Or

Explain Net Present Value Criterion. Which one is superior between Net Present Value Criterion and Internal Rate of Return Criterion and why? 5+5=10

- (d) Explain how wages and employment are determined in a monopsonistic labour market. 10

Or

What is economic rent? Explain how economic rent arises in case of different elasticities of supply of a factor. 1+9=10

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