

3 SEM TDC ECO M 1

2016

(November)

ECONOMICS

(Major)

Course : 301

(Microeconomics—II)

Full Marks : 80

Pass Marks : 32 (Backlog) / 24 (2014 onwards)

Time : 3 hours

The figures in the margin indicate full marks for the questions

Choose the most appropriate answer of the following :

1×8=8

(a) In describing a given production technology, the short run is best described as lasting

(i) up to 6 months from now

(ii) up to 1 year from now

(iii) as long as all inputs are fixed

(iv) as long as at least one input is fixed

- (b) In the long run, some firms will exit the market if the price of the goods offered for sale is less than
- (i) AFC
 - (ii) MC
 - (iii) ATC
 - (iv) AR
- (c) Which of the following is a characteristic of monopoly market?
- (i) Single firm
 - (ii) Firm produces a unique product
 - (iii) Existence of some promotional or informative advertising
 - (iv) All of the above
- (d) In the context of oligopoly, the kinked demand hypothesis is designed to explain
- (i) price-output determination
 - (ii) price rigidity
 - (iii) price leadership
 - (iv) collusion among rivals

- (e) The firm in a perfectly competitive market is a price taker. The designation as a price taker is based on the assumption that
- (i) the firm has nominal control over its product price
 - (ii) there are so many buyers and sellers in the market that any individual firm cannot affect the market
 - (iii) there is easy entry into or exit from the market place
 - (iv) None of the above
- (f) The theory of distribution (primarily) analyzes the principle which explains
- (i) the distribution of goods and services among consumers
 - (ii) the allocation of resources in different sectors of the economy
 - (iii) the distribution of profits among shareholders
 - (iv) None of the above

- (g) Non-specific factors, which can be put to numerous uses, earn
- (i) a large amount of rent
 - (ii) a small amount of rent
 - (iii) no rent
 - (iv) all rent
- (h) A market failure occurs
- (i) when a small group of firms holds significant market power
 - (ii) if production of the good or service results in an externality
 - (iii) Both (i) and (ii)
 - (iv) Neither (i) nor (ii)

2. Write short notes on any *four* of the following
(**within 150 words** each) : 4×4=16

- (a) Optimal resource allocation in perfect competition
- (b) Sources of monopsony power
- (c) Characteristics of Few Sellers Market
- (d) Collective bargaining
- (e) Causes of market failure

Answer the following questions (**within 500 words** each) :

3. (a) When does competition become perfect in a commodity market? "In the long run, all firms in a perfectly competitive industry earn zero economic profit." Illustrate. 3+9=12

Or

- (b) Explain the process of derivation of the long-run supply curves of constant, increasing and decreasing cost industries. 4+4+4=12

4. (a) Explain the factors that give rise to monopoly. Describe how a monopolist determines his profit-maximizing output, the price to charge and resultant economic profit, if any, in the short run. 3+8=11

Or

- (b) Explain the meaning of simple monopoly and discriminating monopoly with examples. How does a profit-maximizing discriminating monopolist determine the prices in different markets? Illustrate. 3+8=11

5. (a) Point out the essential differences between monopolistic competition and oligopoly. How are the price and output determined in monopolistic competition? Explain. 4+7=11

Or

- (b) What are the monopolistic and competitive elements of monopolistic competition? A monopolistically competitive output is smaller than perfectly competitive output. Illustrate. 4+7=11

6. (a) Explain the marginal productivity theory of distribution. What are its limitations? 7+4=11

Or

- (b) Define gross profit and net profit. Explain risk- and uncertainty-bearing theories of profits. 3+8=11

7. (a) What is general equilibrium? Describe 'interrelations and interdependence of markets'. 3+8=11

Or

- (b) What is the meaning of 'economic efficiency'? Write a note on the general equilibrium and economic efficiency of competitive markets.

4+7=11
