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(November)

ECONOMICS

(Major)

Course : 301

(Microeconomics—II)

Full Marks : 80

Pass Marks : 32/24

Time : 3 hours

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

1. Choose the most appropriate answer/Answer
the following : 1×8=8
- (a) If the firms under perfect competition
have different costs, normal profit will
be earned by
- (i) the marginal firm
 - (ii) intra-marginal firm
 - (iii) all the firms
 - (iv) None of the above

(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) AR

(iv) None of the above

(c) "In a perfectly competitive factor market $VMP=MRP$."

(i) True

(ii) False

(d) Which of the following is a condition for the maximization of profit of a firm?

(i) $AC=AR$

(ii) $AC=MR$

(iii) $MR=AR$

(iv) $MC=MR$

- (e) When price elasticity of demand is greater than one, then MR is
- (i) zero
 - (ii) negative
 - (iii) positive
 - (iv) one
- (f) An economic profit can arise from
- (i) uncertainty bearing
 - (ii) monopoly power
 - (iii) innovations or above average managerial efficiency
 - (iv) Any of the above
- (g) Write an economic factor on which the supply of labour depends.
- (h) Write the meaning of 'economic efficiency'.

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

- (a) Price taker
- (b) Natural monopoly
- (c) Importance of selling costs in oligopoly
- (d) Transfer earnings and economic rent
- (e) General equilibrium analysis

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

3. (a) (i) Examine the rules for profit maximization under different market forms. 6
- (ii) Describe the process of derivation of the supply curve of the firm in the short run under perfect competition. 6

Or

- (b) Define long-run. Explain the process of derivation of the long-run supply curves of constant, increasing and decreasing cost industries. 1+4+4+3=12

4. (a) How is price determined under monopoly? Show why a monopolist cannot choose a price if the elasticity of demand for the product is less than one. 7+4=11

Or

- (b) What are the necessary and sufficient conditions for price discrimination under monopoly? Explain with diagram how the price and output are determined under discriminating monopoly market. 4+7=11

5. (a) Distinguish monopolistic competition from oligopoly. Explain the process of determination of short-run and long-run equilibrium of a firm under monopolistic competition. 2+9=11

Or

- (b) Define oligopoly. State the characteristics of oligopoly market. Why does price tend to be rigid in oligopolistic industry? Explain. 2+4+5=11

6. (a) Discuss the marginal productivity theory of distribution. Is it true that in equilibrium all factors receive a payment equal to the value of their marginal product? Give justification.

7+4=11

Or

- (b) (i) Compare and contrast Hawley's risk-bearing theory and Knight's uncertainty-bearing theory of profits. 8

- (ii) How is wage determined in a perfectly competitive market? 3

7. (a) Write the meaning of efficiency in exchange and efficiency in production. Explain with suitable examples the interrelations and interdependence of markets. 2+2+7=11

Or

- (b) Define market failure. Explain the different sources of market failure. Suggest the remedies for market failure. 1+6+4=11
