

PG Odd Semester (CBCS) Exam., December—2016

ECONOMICS

(1st Semester)

Course No. : EC-101 (C)

(Microeconomic Analysis—I)

Full Marks : 75

Pass Marks : 30

Time : 3 hours

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

Answer **five** questions, taking **one**
from each Unit

UNIT—I

1. (a) Explain the marginal rate of substitution (MRS). How is it significant in the theory of consumer's behaviour?
(b) Discuss the suitability of food subsidy versus supplementary income.
(c) Illustrate 'constant elasticity demand function'. 4+4+7=15

2. (a) What is indirect utility function? Develop a demand function based upon the concept of indirect utility.
(b) How does a consumer take his consumption decision over time? Discuss diagrammatically. (3+5)+7=15

UNIT—II

3. (a) What should be the shape of short-run average cost curve and long-run average cost curve? Discuss with diagram.
(b) For a cost function
 $TC = 500 + 9Q + 0.4Q^2$
find AFC, AVC and MC. 9+(2+2+2)=15
4. (a) What is elasticity of substitution in a production function? Calculate the elasticity of substitution from a standard Cobb-Douglas production function.
(b) How does a multi-production firm attain equilibrium under perfect competition? (2+6)+7=15

(3)

UNIT—III

5. (a) What do you understand by monopoly power? Explain the various measures of monopoly power that are used to measure the degree of economic concentration.
- (b) Explain how bilateral monopoly leads to indeterminacy in the market. $(2+6)+7=15$
6. Distinguish between increasing cost, decreasing cost and constant cost industry. Explain the nature of supply curve under conditions of constant costs. What is the shape of the supply curve of the firm in such an industry? $3+6+6=15$

UNIT—IV

7. What do you understand by limit pricing? How do limit pricing models offer an alternative to the neo-classical theory of the firm? In this connection, explain Bain's limit pricing model. $4+3+8=15$
8. Explain the process of price determination under collusive oligopoly. Add a note on Hotelling's model of oligopolistic pricing. $8+7=15$

(4)

UNIT—V

9. What problems a consumer faces under uncertainty? Does Neumann-Morgenstern theory solve such problems? Illustrate. $5+10=15$
10. Write short notes on any *three* of the following : $5 \times 3 = 15$
- (a) Attitude towards risk and role of insurance
- (b) Maximin and minimax
- (c) Dominant strategy
- (d) Prisoner's dilemma

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