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PG Even Semester (CBCS) Exam., May—2018

ECONOMICS

( 2nd Semester )

Course No. : ECOCC-201

( Microeconomic Analysis—II )

*Full Marks : 70*

*Pass Marks : 28*

*Time : 3 hours*

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

Answer **one** question from each Unit

UNIT—I

1. What do you understand by 'alternative theories' of the firm? How does Baumol's sales revenue maximization model offer an alternative to the profit maximization model? In this context, examine Baumol's static model without advertisement. 4+4+6=14
2. What do you mean by diversification rate? How does it influence the demand for the

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firm's product? Explain how product diversification can be incorporated into the decision-making process of the firm. Hence explain how a firm can attain equilibrium.

2+3+5+4=14

UNIT—II

3. Discuss Bergson's approach to social welfare function. Derive the point of maximum social welfare in a  $2 \times 2 \times 2$  economy. 4+10=14
4. Explain what is market failure and what are its consequences. Show how a government can solve the problems of externality. 6+8=14

UNIT—III

5. (a) What is 'tatonnement' process? How can it be employed to find the general equilibrium solution of a single-sector model (consumption without production)?  
(b) Derive and interpret Walras' law. 3+7+4=14
6. (a) Distinguish between closed and open input-output models. How can a closed input-output system be solved for general equilibrium? Examine in the light of Leontief's analysis.

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( Continued )

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- (b) Comment on the uniqueness of general equilibrium solution and its stability thereof. (4+6)+(2+2)=4

UNIT—IV

7. (a) Define a 'lemon market' and illustrate the complexities involved with such markets, using some numerical examples.
- (b) Discuss how education as a signal of higher productivity solves the problems of asymmetric information in a labour market. (3+3)+8=14
8. (a) Explain why there persist different prices even for a standardized product with identical sales conditions in a market.
- (b) Suppose there persist five prices ₹ 1,180, ₹ 1,190, ₹ 1,200, ₹ 1,210 and ₹ 1,220 for a standardized product and marginal cost of search for a consumer is fixed at ₹ 2. Find how many searches the consumer would conduct. 8+6=14

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UNIT—V

9. Show how a consumer maximizes his satisfaction over time through lending and borrowing. 14
10. (a) Illustrate how a competitive market balances the overuse of exhaustible resources.
- (b) Explain capital asset pricing model of calculation of cost of capital. 7+7=14

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