

PG Odd Semester (CBCS) Exam., December—2017

ECONOMICS

(1st Semester)

Course No. : ECOCC-101

(Microeconomic Analysis—I)

*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. (a) Illustrate using indifference curve the suitability of cash-subsidy versus food-subsidy.
- (b) Derive Slutsky's equation to split price effect into two components. $5+9=14$
2. (a) "Consumption goods are substituted within the group but not between groups." Illustrate and examine mathematically.

- (b) Evaluate a hypothetical project where cost at ₹ 200 per year persists in the first three years and return starts to accrue at ₹ 100 per year from the fourth year for indefinite period. $9+5=14$

UNIT—II

3. (a) Discuss the factors affecting the operation of increasing relations to scale.
- (b) Derive a cost function from a standard production function. $5+9=14$
4. (a) "A short-run average cost curve is saucer-shaped rather than U-shaped." Discuss critically.
- (b) What do you mean by a homogeneous production function? Is Cobb-Douglas production function a homogeneous one? Check. $8+(2+4)=14$

UNIT—III

5. Distinguish between multiplant monopoly and discriminating monopoly. Explain how the process of price determination varies in multiplant monopoly and discriminating monopoly. Add a note on bilateral monopoly. $4+(4+4)+2=14$

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6. (a) Why is there no general theory of oligopoly? 3
- (b) Explain Sweezy's kinked demand model of oligopoly. 5
- (c) Assume that in a purely oligopolistic industry, there is one dominant firm and ten small identical firms. The market demand curve for the commodity is $Q = 20 - 2P$, where P is given in dollars. The marginal cost curves of the dominant firm and the small firms are given as $MC_d = 1 + 5(Q/2)$ and $MC_s = 1 + (Q/4)$ respectively.
- (i) What price will the dominant firm set? 2
- (ii) How much will the small firms supply together? 2
- (iii) How much will the dominant firm supply? 2

UNIT—IV

7. (a) What do you understand by the marginalist controversy? How does the AC pricing principle help in the process of price determination? Elaborate. $6+5=11$
- (b) "The AC pricing principle is old wine in a new bottle." Examine the statement. 3

8J/713

(Turn Over)

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8. (a) Why is the Cournot equilibrium a Nash equilibrium? 7
- (b) How can the concept of prisoner's dilemma be used to analyze price competition? 7

UNIT—V

9. Explain the concept of game theory. Discuss its usefulness in a oligopoly type of market with special reference to maxima-minima and prisoner's dilemma strategies. $5+(5+4)=14$
10. Illustrate the problems of 'adverse selection' and 'moral hazard' in a market of asymmetric information. Suggest some measures to tackle such problems. $10+4=14$

8J—100/713

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