Krishna Kanta Handiqui State Open University

MA 1st Sem. Examination, 2016

Subject : Economics/Applied Economics

Paper : 01

Micro Economics-01

Time : 3 Hrs. *Full Marks : 80*

1. Answer any five from the following questions. 2×5 = 10 (each within 50 words)

   (a) State the difference between point and arc elasticity of demand.

   (b) Define opportunity cost and explain the concept with a suitable example.

   (c) When may a firm working in a perfectly competitive market be said to be in short run equilibrium?

   (d) Explain discriminatory monopoly with the help of a suitable example.

   (e) State the assumption underlying the monopolistically competitive market model.

   (f) What is meant by price leadership in the context of an oligopoly market.

2. Answer any three from the following questions. 4×3 = 12 (each within 150 words)

   (a) Define indifference curve and mention the properties of indifference curve.

   (b) What is meant by a fixed proportion production function and what is the shape of the isoquant for such a production function? What can be said regarding the degree of substitutability of the factors of production along such an isoquant?

   (c) Illustrate with the help of a diagram how price and output may be determined under bilateral monopoly.

   (d) Why do firms in an oligopoly market join together to form a cartel.

3. Answer any three from the following questions. 6×3 = 18
(each within 250 words)

(a) What is meant by an income consumption curve? Draw the income consumption curve for an inferior good.

(b) What is meant by homogeneity in relation to a production function? Show how the degree of homogeneity of the production function determines the returns to scale with the help of a suitable example.

(c) What are the sources of monopoly power? Explain why the profit maximising monopolist does not set a price where the absolute value of the price elasticity of demand is less than one.

(d) What is meant by selling cost and why does monopolistically competitive seller incur such costs?

4. Answer any four from the following questions. 10×4 = 40
(each within 500 words)

(a) Define price elasticity of demand. State the formula for measuring the price elasticity of demand. What are the determinants of the price elasticity of demand? 2+2+6

(b) Explain the relationship between the law of variable proportions and the short run cost curves. Illustrate your answer with the help of a diagram depicting the short run average and marginal cost curves keeping in mind the relationship between them. 4+6

(c) Derive the short run supply curve of a firm working under conditions of perfect competition. Can this curve be upward sloping? State the reason for your answer. 6+2+2

(d) Explain how a monopolist producing for a single market but operating two plants with differing costs allocates the output between the two plants given the average revenue curve for the product. 3+7

(e) State the assumptions underlying Cournot's model of duopoly. Show how price is determined and output is allocated between the duopolists in the model.

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