

2019

**BUSINESS ADMINISTRATION — HONOURS**

**Paper : A - 203 (C-4)**

**(Managerial Economics)**

**Full Marks : 80**

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**Section - A**

**(Marks - 30)**

1. Answer **any five** questions from the following : 2×5
- (a) What do you mean by Income elasticity of demand?
  - (b) If a buyer buys more of a good when his/her income rises, how will the demand curve change?
  - (c) State the Law of Equi-Marginal utility.
  - (d) What do you mean by Iso-Quant?
  - (e) Define 'Sunk Cost'.
  - (f) State the two assumptions of Perfect Competition.
  - (g) What is the shape of AR and MR curves when price is variable?
  - (h) What do you mean by 'Excess Capacity' in monopolistically competitive market?
2. Answer **any five** questions from the following : 4×5
- (a) State the assumptions of Marginal Productivity theory of Distribution.
  - (b) 'Cross Price elasticity of demand will always be positive'. Is the statement true or false? Explain.
  - (c) Why is the short run average cost curve 'U' shaped?
  - (d) Explain the 'Revealed Preference theory' of consumer behaviour.
  - (e) Why is the demand curve under Oligopoly kinked?
  - (f) What is the difference between Perfect Price Discrimination and Block Pricing Principle?
  - (g) A monopolist is able to separate two markets. In one market, the demand can be expressed as  $Q_1 = 14 - P_1$ . In the second market the demand is  $Q_2 = 20 - 2P_2$ . The monopolist's marginal cost  $MC = 4$ . Find the profit maximizing amount of output for the two markets and the price charged.
  - (h) Explain the concepts of 'increasing', 'decreasing', 'constant' returns to scale.

**Section - B**  
**(Marks - 50)**

Answer **any five** questions from the following :

3. (a) Why is the labour supply curve backward bending?  
(b) Explain the factor market equilibrium conditions. 5+5
4. (a) State and explain Law of Demand.  
(b) Show that on a straight line downward sloping demand curve, Price elasticity of demand varies from zero to infinity.  
(c) Distinguish between a 'change in demand' and 'change in quantity demanded'. 2+5+3
5. (a) Find the value of Elasticity of Substitution for a Cobb-Douglas production function.  
(b) Explain the three stages of production and which is the efficient stage for a rational producer. 5+4+1
6. (a) State the factors that can lead to a shift of a supply curve.  
(b) Calculate the price elasticity of demand if quantity demanded is 20 units at ₹ 5 and 25 units at ₹ 4 per unit of a commodity.  
(c) What is a Perfectly Elastic demand curve and a Perfectly Inelastic demand curve? 3+3+4
7. (a) Show the relationship between Substitution effect, Price effect and Income effect by the Hicksian approach.  
(b) Prove that "Two indifference Curve cannot intersect each other".  
(c) What do you mean by 'Marginal Rate of Substitution (MRS)'? 5+3+2
8. (a) What is Average Fixed Cost (AFC)?  
(b) For a perfectly competitive firm, the short run total cost function is given as  $TC = 6 + 10Q - Q^2$ . If the price of the product prevailing in the market is ₹ 6, at what level of output the firm will maximise profit?  
(c) What is Break Even Point?  
(d) Find AVC and MC from the following table :

Quantity	TC	TFC
1	12	10
2	18	10
3	25	10
4	30	10

2+3+2+3

9. (a) What do you mean by 'Prisoner's Dilemma'?
- (b) Explain Cournot's model of Oligopoly.
- (c) What do you mean by Collusive Oligopoly? 3+5+2
10. (a) When is Price Discrimination possible and profitable?
- (b) Derive the equilibrium conditions in case of a monopoly market.
- (c) What do you mean by Lerner's index of monopoly power? 3+5+2
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