The Bhawanipur Education Society College

M.Com. 2nd Semester Examination, 2021 (Internal Evaluation)

Paper Code– CC202

Managerial Economics

Full Marks 15

The figures in the margin indicate full marks.

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

Module -I

Answer any one question **1x7.5= 7.5**

1. What is a Price Consumption Curve (PCC)? How do you derive it graphically? Prove that the sum of the own price elasticity of demand, the cross-price elasticity of demand and the income elasticity of demand for commodity is equal to zero. **(1.5+2+4)**

OR

For a production function $Q = 2\sqrt{LK}$ (symbols depicts usual meaning), determine the output elasticity of capital and show that the expansion path for this function is straight line through origin. **(4+3.5)**

2. Let the total cost function of a competitive firm be $TC = Q^3 - 14 Q^2 + 69Q + 100$. Derive the supply curve of the firm. What is the industry supply curve when the industry has 100 firms? Find out the equilibrium quantity supplied by the firm when $P=37$ (symbol depicts usual meaning). **(2.5+2.5+2.5)**

OR

The utility function of a consumer is $U = 4xy-y^2$ and the budget equation is $2x+y = 6$. Find out the equilibrium purchase of x and y. Represent graphically. **(5+2.5)**

Module -II

Answer any one question **1x7.5= 7.5**

3. Let an individual with an income of Rs. 500 be offered a fair gamble. After the gamble he or she can get Rs. 400 with probability ½ and Rs. 600 with probability ½. Without the gamble the expected utility is U (Rs. 500) . Illustrate the behaviour of risk loving, risk neutral and risk averse individuals diagrammatically on the basis of their expected utility. **(2.5+2.5+2.5)**

OR

Explain how the pareto efficiency conditions for maximisation of social welfare are achieved. **(7.5)**

4. How do the managerial theories of the firm differ from the traditional theory? Explain with reference to any two models. **(7.5)**

OR

Show how the equilibrium price and quantity of a factor are determined when there is perfect competition in both the factor and commodity markets. **(7.5)**