

**2021**

**BUSINESS ADMINISTRATION — HONOURS**

**Paper : A203-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.*

Answer *any five* questions.

1. (a) State the law of demand. Why does the demand curve usually slope downward to the right?  
 (b) Suppose that Carlos and Deborah are the only consumers of scented candles in a particular market. The following table shows their annual demand schedules:

Price (Dollars per Candle)	Carlos's Quantity Demanded (Candles)	Deborah's Quantity Demanded (Candles)
2	16	32
4	10	24
6	6	16
8	2	8
10	0	4

Find the market demand schedule and represent it in a diagram.

- (c) Explain five exceptions to the law of demand. (2+4)+5+5
2. (a) Is the price elasticity of demand same on a linear demand curve? Explain.  
 (b) If the demand and supply curve for computers is

$$Q_D = 100 - 6P, Q_S = 28 + 3P$$

where P is the price of computers, what is the equilibrium price and the quantity of computers bought and sold at equilibrium?

- (c) "Price Effect is a combination of income effect and substitution effect."— Explain diagrammatically in case of an inferior good. 5+4+7

**Please Turn Over**

3. (a) Diagrammatically state the relationship between TP, AP and MP using the Law of Variable Proportions. In which stage should a rational producer produce?  
 (b) Diagrammatically explain the equilibrium of a firm which maximizes output subject to a given cost and interpret the equilibrium condition. (6+2)+8
4. (a) Show that LAC curve is the envelope of SAC curves.  
 (b) Why is the AVC curve 'U' shaped?  
 (c) Find AFC and MC from the following table:

Quantity	1	2	3	4	5
TC	12	18	25	30	34
TFC	10	10	10	10	10

8+4+4

5. (a) State the differences between economies of scale and economies of scope.  
 (b) Explain the relationship between TR and MR in case of a monopoly market.  
 (c) Explain with the help of an example the concept of 'minimum efficient scale' in the transportation industry. 5+5+6
6. (a) What are the profit maximizing conditions of a perfectly competitive firm? Derive the short run supply curve of a firm under perfect competition.  
 (b) Based on elasticities of demand and supply, discuss the different cases under sharing of tax burden between the buyer and the producer. (2+8)+6
7. What do you mean by third degree price discrimination? When is it profitable for a monopolist to discriminate? With the help of a diagram, explain how the monopolist will allocate his output in two markets and charge different prices. 2+4+10
- 8 (a) What do we mean when we say that monopolistic competition leads to excess capacity?  
 (b) Why do price rigidities arise in case of an oligopolistic market? Explain price rigidity with the help of the 'kinked demand curve' model. 7+(2+7)
9. (a) What do you mean by Prisoner's Dilemma?  
 (b) Explain Sweezy's Kinked Demand Curve Model. 6+10
10. (a) Why is the labour supply curve backward bending?  
 (b) Explain the factor market equilibrium conditions.  
 (c) Explain the determination of wage rate under Imperfectly Competitive Labour Market. 5+4+7