

2023

COMMERCE

Paper : CC 202

(Managerial Economics)

Full Marks : 40

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 two* questions.

1. (a) Define marginal rate of substitution ($MRS_{X,Y}$). What is its economic meaning?
(b) Explain the relation between $MRS_{X,Y}$ and the price ratio (P_X/P_Y) at equilibrium.
(c) What will be the shape of an indifference curve if the marginal rate of substitution (MRS) is rising?
(d) If $\frac{MU_X}{P_X} < \frac{MU_Y}{P_Y}$, what will the consumer do to attain equilibrium where MU refers to the marginal utility, P refers to price and X and Y are the two commodities? (1+2)+3+2+2
2. (a) Show that two demand curves may have same price elasticity even if their slopes are different and they may have different elasticity even their slopes are equal.
(b) Suppose a rational consumer maximizes $U = q_1q_2$ subject to the budget constraint : $M = P_1q_1 + P_2q_2$, where q_1, q_2 are the commodities and P_1, P_2 are prices and M is income of the consumer. Write down the Lagrangean expression. Interpret the Lagrangean multiplier. Derive the two demand functions. 4+(1+2+3)
3. (a) Using the concepts of Isoquant and Isocost, show graphically how does a firm obtain the optimal input combination in order to maximise the output level.
(b) Consider the following short-run production function : $Q = -0.1L^3 + 6L^2 + 12L$, where Q is output and L is Labour. Determine how many workers will be employed when Average Productivity of Labour (AP_L) is maximised. 7+3
4. (a) What do you mean by excess capacity in monopolistic competition?
(b) For discriminating monopolist, the demand functions in two markets are given by as $P_1 = 50 - 2q_1$, $P_2 = 80 - 5q_2$, and $TC = 50 + 10(q_1 + q_2)$. Find the equilibrium price levels and also the equilibrium quantities sold.
(c) Explain the Cournot model of Oligopoly market. 3+3+4

Please Turn Over

Module - II

Answer *any two* questions.

5. (a) When do we call a person risk averse? Explain with diagram.
(b) Explain with appropriate reasons whether the individual with following utility function is risk averse/risk lover/risk neutral.
- $U = W^3$ 5+5
6. (a) Suppose, factor market is perfectly competitive and product market is monopolistic. What will be the equilibrium level of wage and demand for labour? Explain with diagram.
(b) Mention the concept of exploitation of labour in this case. 7+3
7. Discuss the Marris Model of Managerial enterprise. 10
8. 'In presence of externality marginal social cost is not the same as marginal private cost.' — Explain the statement with suitable examples. 10
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