

2025

## 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) Can a consumer consume single commodity in equilibrium even if the indifference curve holds all its usual properties?
- (b) Consider a consumer in a two-commodity world where indifference map is such that the slope of the indifference curve is equal to  $-(y/x)$ , where  $y$  is the quantity of good Y and  $x$  is the quantity of good X. Show that the demand for X is independent of the price of Y and the price elasticity of the demand for X is unitary.
- (c) What is income consumption curve? When will it be backward bending? 2+(3+2)+(1+2)
2. (a) Let AB and CD are two intersecting linear demand curves. They are drawn in such a way so that along the horizontal axis  $OD > OB$  and along the vertical axis  $OA > OC$ . Compare the price elasticities of these two demand curves at a common price.
- (b) The demand and supply schedule for the ticket of a musical concert by Arijit Singh are as follows :

Price (in ₹)	Quantity Demanded (in ₹)	Quantity Supplied (in ₹)
2,500	1,50,000	1,00,000
5,000	1,25,000	1,00,000
7,500	1,00,000	1,00,000
10,000	75,000	1,00,000

- (i) Draw the demand and supply curves.
- (ii) Is it a normal supply curve? If not, what will be the reason for this shape?
- (iii) What will be the equilibrium price and quantity?
- (c) Let a demand function be  $Q = KM^B$ , where K and B are constants. M is the income and Q is the demand of the consumer. Show that income elasticity of demand is constant.

$$3 + [(1+1) + (\frac{1}{2} + \frac{1}{2}) + (\frac{1}{2} + \frac{1}{2})] + 3$$

Please Turn Over

(1991)

3. (a) Is it possible for a monopoly equilibrium to occur at the falling portion of the marginal cost curve?  
 (b) A firm is facing the following demand and cost function respectively :
- $$P = 50 - 2Q$$
- $$C = 20 + 10Q + 8Q^2$$
- Determine the equilibrium price, output and profit of the firm.
- (c) Show that the price discrimination by a monopolist is not profitable if the price elasticities of different sub-markets are same.  
 (d) "A monopolist can not set the price at the output level when marginal cost is  $\leq 0$ ." —Justify the statement. 2+(1+2+1)+2+2
4. (a) The production function for a firm producing furnitures is given by  $q = 30L^2 - 2L^3$ .
- (i) What is the value of  $MP_L$  when  $AP_L$  is maximum?  
 (ii) What is the value of L that maximises output?  
 (iii) For what value of L,  $MP_L$  is maximum?
- (b) What are the characteristic features of the Cobb Douglas Production function?  
 (c) Explain the shape of long run industry supply curve under perfect competition in a decreasing cost industry. 3+3+4

### Module – II

Answer *any two* questions.

5. Explain how the managerial theories of firm conceive the organizational structure of a firm. Discuss the objective and constraints of Marris Model of Managerial Enterprise. 4+6
6. Discuss the relationship between role of externality and market failure. Explain the divergence between private cost and benefit with social cost and benefit, in the presence of externality in production. 4+6
7. (a) Explain the Arrow-Pratt measure of risk-aversion.  
 (b) A risk-averse person is offered a choice between a gamble of paying ₹ 1,000 with probability 0.25 and ₹ 100 with probability 0.75 or a certain payment of ₹ 325. Which one should he/she choose and why? 4+6
8. (a) Derive the labour demand curve under perfect competition in both product and factor markets.  
 (b) Explain the concept of monopolistic exploitation of labour. 5+5