

**2 0 1 6**

( 2nd Semester )

**ECONOMICS**

Paper No. : ECO-201

**( Microeconomics—II )**

*Full Marks : 70*

*Pass Marks : 45%*

*Time : 3 hours*

( PART : B—DESCRIPTIVE )

( Marks : 45 )

*The figures in the margin indicate full marks  
for the questions*

1. What are the two conditions for equilibrium of a firm? Show with diagram. Explain the long-run equilibrium of a firm under perfect competition. 3+6=9

*Or*

Explain some of the measures of monopoly power. 9

2. What are the characteristics of monopolistic competition? Explain the shape of the AR curve under monopolistic competition. 6+3=9

*Or*

Explain how group equilibrium is achieved under monopolistic competition with entry of new firms into the industry. 9

3. What is meant by stable equilibrium? Does Cournot's duopoly model provide stable equilibrium? Explain. 3+6=9

*Or*

Explain Edgeworth oligopoly model of product pricing. 9

4. Explain the modern theory of rent. 9

*Or*

Explain the marginal productivity theory of wages. 9

5. Explain the classical theory of interest. 9

*Or*

Explain Schumpeter's theory of profit. What are the criticisms against the theory? 5+4=9

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**ECONOMICS**

Paper No. : ECO-201

**( Microeconomics—II )**

( PART : A—OBJECTIVE )

( Marks : 25 )

*The figures in the margin indicate full marks for the questions*

**SECTION—I**

( Marks : 15 )

**A.** Tick  the correct answer in the box provided :

1×10=10

1. Which of the following market forms is not included under imperfect markets?

(a) Perfect competition

(b) Monopoly

(c) Monopolistic competition

(d) Both (a) and (b)

2. In the long run, a firm under perfect competition earns
- (a) abnormal profits
  - (b) normal profits
  - (c) abnormal loses
  - (d) None of the above
3. Under monopoly, the AR curve is
- (a) horizontal
  - (b) vertical
  - (c) downward sloping from left to right
  - (d) upward sloping from left to right
4. Under which form of market, selling cost plays an important role?
- (a) Perfect competition
  - (b) Monopoly
  - (c) Monopolistic competition
  - (d) None of the above

5. Price discrimination is possible, if the demand elasticities in two markets are

(a) greater than 1

(b) same

(c) different

(d) less than 1

6. Nonprice competition is found under

(a) perfect competition

(b) monopoly

(c) Both (a) and (b)

(d) Neither (a) nor (b)

7. Which of the following is not an assumption of Ricardian theory of rent?

(a) Land differs in quality

(b) Land is fixed in supply

(c) Land can be put to alternative uses

(d) Perfectly competitive land market

8. Which theory of interest is also known as the real theory of interest?
- (a) The classical theory
  - (b) The neo-classical theory
  - (c) The loanable funds theory
  - (d) None of the above
9. According to whom, profit is reward for bearing risk?
- (a) Schumpeter
  - (b) Knight
  - (c) Both of them
  - (d) Neither (a) nor (b)
10. Which factor income is known as residual income?
- (a) Rent
  - (b) Wage
  - (c) Interest
  - (d) Profit

B. Indicate whether the following statements are True (T) or False (F) by a Tick (✓) mark : 1×5=5

1. Under imperfect competition markets, the AR line is downward sloping.

( T / F )

2. For a firm to be in equilibrium, the marginal cost should be equal to average cost.

( T / F )

3. It is possible for a monopolist to earn abnormal profits in the long run.

( T / F )

4. Differential rent arises due to heterogeneity of land.

( T / F )

5. Reaction curve approach is used in Cournot's oligopoly model.

( T / F )

( 6 )

SECTION—II

( Marks : 10 )

C. Write short notes on any *five* of the following :  $2 \times 5 = 10$

1. Wage differential



2. Chamberlin's assumptions for monopolistic group equilibrium

3. Kinked demand curve

4. Reaction curves

5. Quasi-rent

6. Liquidity trap

7. Price discrimination

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