KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

MA 1st Semester Examination, 2015

Subject-Economics

MEC/MAEC 01-Microeconomics-I

Time: 3 hours Maximum marks: 80

The figures in the margin indicate full marks for the questions

1 *Answer any five questions from the following* 2×5=10
(Answer in around 50 words)

a Define the term elasticity.
b What do you mean by price discrimination?
c Put forward the Engel's law of demand.
d What do you mean by substitution effect?
e Define the term selling cost.
f When is the oligopoly form of market said to exist?
g What do you mean by derived demand?

2 *Write any three short notes from the following* 4×3=12
(Answer in around 150 words)

a Mention four important assumptions underlying the revealed preference axiom.
b Write a short note on third degree price discrimination.
c Distinguish between collusive and non-collusive oligopoly.
d What is meant by excess capacity and why does it arise under monopolistic competition?
e Mention the factors that determine the demand for factors of production.

3 *Answer any three questions from the following* 6×3=18
(Answer in around 250 words)

a Distinguish between pure and perfect competition.
b Briefly discuss the concept of increasing returns to scale.
c Why does the monopolistically competitive firm indulge in product differentiation? What is the effect of product differentiation on the firms demand curve?
d What is barometric price leadership? What reasons underline the emergence of barometric price leadership?

4 *Answer any four questions from the following* 10×4=40
(Answer in around 500 words)

a With the help of a suitable diagram show the profit maximizing position of a perfectly competitive firm. When should such a firm shut down its operations?
b Discuss the features of monopolistic competition. How does a firm under monopolistic competition attain equilibrium in the long-run when there is free entry of new firms?
c What assumptions lead to the emergence of the kinked demand curve? Is the marginal revenue curve continuous in such a model? What is the effect on the price charged by the oligopolist if there is a slight change in the cost of production?
d With the help of an indifference map show the Hicksian method of decomposing the price effect into the income and substitution effects. What do these effects measure?
e With the help of a simple diagram explain the Marshallian concept of consumer surplus. What are the criticisms of this measure of consumer surplus?