SET A

MA ECONOMICS
SECOND SEMESTER
MICRO ECONOMIC ANALYSIS-II
MEC – 201
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. **Full Marks: 70**

Objective

Time: 30 mins. **Marks: 20**

Choose the correct answer from the following: ***1×20=20***

1. Which one is the characteristic of perfect competition?
   a. It has a large number of buyers and sellers selling homogeneous products at a uniform price.
   b. There is no free entry and exit for all the firms.
   c. It has a large number of buyers and sellers where the government decides the price of the product.
   d. It has a large number of buyers and sellers selling heterogeneous products at a uniform price.

2. Sellers selling homogeneous products in the perfect competition market indicate?
   a. A huge amount of loss for all the sellers.
   b. Buyers will not buy the products.
   c. Sellers will become price makers.
   d. Sellers cannot influence the prices of the products.

3. Which of the following statements is true in the case of a perfect competition market?
   a. There is intervention by the government.
   b. Buyers are the price maker.
   c. There is no transportation cost.
   d. All the products are sold at different prices

4. In perfect competition how the prices of goods and services are decided?
   a. Demand and supply forces decide the prices of goods and services.
   b. The seller decides the prices of goods.
   c. Government influences the prices of goods.
   d. Buyers control the price level by influencing demand for the products.

5. Sellers in perfect competition are:
   a. Price maker
   b. Price taker
   c. Wealthy
   d. Poor

6. How can perfect competition maximize profit?
   a. Firms must set marginal revenue equal to marginal cost (MR=MC).
   b. All the firms should increase the prices of the products.
   c. Sellers should create a scarcity of goods in the market.
   d. Buyers should buy the products at a lower price.

7. Which of the following statements about perfect competition are true?
   a. Both the buyers and sellers know all the details about the products available in the market
   b. Buyers can change the prices of the products by influencing demand.
   c. Products are sold at different prices.
   d. Firms are price makers

8. Which of the following factors is not a characteristic of perfect competition?
   a. A large number of buyers and sellers
   b. Well-informed buyers and sellers about product prices
   c. Individual firms spend a considerable amount on advertising
   d. No restrictions on entry into or exit from the industry

9. Which of the following markets have the lowest number of firms?
   a. Monopoly
   b. Perfect competition
   c. Oligopoly
   d. Monopolistic competition

10. If a perfectly competitive firm in the short run is producing where P = SAC = SMC, we can say that this firm is
   a. At Shut down point
   b. Earning super normal profit
   c. Incurring losses
   d. Earning normal profit

11. Which one is correct?
   a. No excess capacity in perfect competition
   b. Excess capacity is only in perfect competition
   c. No excess capacity in monopolistic competition
   d. No excess capacity is in imperfect competition

12. Even earning losses, firm can continue its production if
   a. P≤AVC
   b. P< SAC
   c. P≥AVC
   d. P=SMC

13. In Cournot's duopoly model with three firms, all firm together shares..... of the market demand
   a. 2/3
   b. 1/3
   c. 3/4
   d. 1/4

14. Premium is paid to.....
   a. Avoid the risk
   b. Love the risk
   c. Cover the risk
   d. Be neutral about risk

15. Price cut competition means.....
   a. Trying to increase the sale of the firm by lowering the price of the other firms
   b. Trying to increase the sale of the firm by increasing its price
   c. Trying to increase the sale of the firm by lowering its price
   d. Trying to increase the sale of the firm by increasing the price of the other firms

16. In price skimming, the firm
    a. Charges the lowest initial and then raise it over time
    b. Charges the highest initial price and maintain that
    c. Charges the lowest initial price and maintain that
    d. Charges the highest initial price that customers will pay and then lowers it over time

17. Peak load pricing is
    a. Charging a high price during demand peaks, and a lower price during off-peak time periods
    b. Demand always at the peak and a price charged is always at the peak
    c. Charging a high price always irrespective to demand condition
    d. Charging a low price during demand peaks, and a higher price during off-peak time periods

18. The kinked demand curve states that the demand curve has a kink at the
    a. Above the prevailing price
    b. Price equals to zero
    c. Below the prevailing price
    d. Prevailing price

19. Risk pooling is related to
    a. Gambling
    b. Insurance
    c. Pollution
    d. Taxation

20. Product differentiation is not a feature of the market:
    a. Monopoly
    b. Monopolistic
    c. Oligopoly
    d. Duopoly

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Descriptive

Time : 2 Hr. 30 Mins. **Marks : 50**

[Answer question no.1 & any four (4) from the rest]

1. 'When a firm under Perfect Competition decide to Shut Down. Elaborate it. 10

2. Explain the attainment of multi plant equilibrium by the monopolist with suitable diagram. 10

3. xplain the differences among the different types of Price Discrimination with suitable diagrams 10

4. Elaborate the critique of Chamberline's theory of monopolistic competition. 10

5. Distinguish between the equilibrium of firms under perfect competition and monopolistic competition. 10

6. Critically explain the Baumol's sales maximization model without advertisement cost. 10

7. What is a duopoly? Explain the Cournot's duopoly model. 1+9=10

8. What is Kinked Demand Curve? Why it has two different types of elasticity for the two parts of the curve. 2+8=10

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