SET B

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. In Marris Growth Maximization model, the main objective of the firm is
   a. Sales maximization
   b. Revenue maximization
   c. Profit maximization
   d. Balanced growth
2. Sales maximization model is alternative for
   a. Revenue maximization
   b. Profit maximization
   c. Sales maximization
   d. None of the above
3. The expenditure which is incurred by the Manager's indulgence in a company car is termed as
   a. Staff expenditure
   b. Management slack
   c. Security expenditure
   d. Salaries
4. In the equation π=R-C-S of Williamson model, R and C stands for ______________and ______________
   a. Total sales revenue and staff expenditure
   b. Production cost and staff expenditure
   c. Total sales revenue and production cost
   d. None of the above
5. The full form of I^D is
   a. Discretionary investment
   b. Discretionary demand
   c. Discretionary dividend
   d. None of the above
6. Which of the following does measure risk?
   a. Co-efficient of variation
   b. Standard deviation
   c. Expected value
   d. All of the above are measurement of risk
7. The marginal utility of money diminishes for a decision maker who is
   a. A risk seeker
   b. Risk neutral
   c. A risk averter
   d. In a situation of uncertainty
8. A situation when the outcome of a decision is uncertain but when probability of each possible outcome is known or can be estimated is referred to as
   a. Certainty
   b. Risk
   c. Uncertainty
   d. Strategy

9. Which of the following is a method of reducing risk by an individual or a consumer
   a. Diversification
   b. Insurance
   c. Both a and b
   d. Only a

10. A risk return tradeoff function
   a. Shows the minimum expected return required to compensate an investor for accepting various levels of risk
   b. Slopes upward for a risk averse decision
   c. Is horizontal for a risk neutral decision maker
   d. All of the above are correct.

11. Under perfect competition, the long run equilibrium of the firm is established at
   a. Minimum point of LAC
   b. Highest point of LAC
   c. Minimum point of SAC
   d. Highest point of SAC

12. If a firm operates in a perfectly competitive market, then it will most likely
   a. Advertise its product on television
   b. Have difficult time obtaining information about the market price
   c. Settle for whatever price is offered
   d. Have an easy time keeping other firms out of the market

13. A monopolist has downward sloping demand curve because
   a. It has an inelastic demand
   b. Typically it sells only to a few large buyers
   c. To increase the demand for his products, the monopolist has to lower his price
   d. Consumer prefers that product

14. Which of the following market types has a large number of firms that sell similar, but slightly different products?
   a. Monopoly
   b. Oligopoly
   c. Perfect Competition
   d. Monopolistic Competition

15. A cartel is
   a. A market structure with a small number of large firms
   b. A market structure with a large number of small firms
   c. A group of firms acting together to raise price, decrease output, and increase economic profit
   d. A market with only two firms

16. In the kinked demand curve model, if one firm reduces its price
   a. Other firms will also reduce their price
   b. Other firms will compete on a non-price basis
   c. Other firms will raise their price
   d. All of the above

17. Barriers to entry are highest, in which two types of markets?
   a. Differentiated competition and oligopoly
   b. Perfect competition and monopoly
   c. Oligopoly and monopoly
   d. Perfect competition and monopolistic competition

18. The oligopoly model in which the businessman assumes that his competitors output is fixed and he decides how much to produce is
    a. Cournot model
    b. Chamberlin model
    c. Bertrend model
    d. Stackleberg model

19. A major weakness of the kinked demand curve model of oligopoly is that
    a. It assumes that firms believe that their rivals will not respond to any price change they initiate
    b. Real world pricing strategies are more simple than those assumed in this model.
    c. It fails to explain how a firm arrived at its price and output decisions
    d. The model cannot be tested empically

20. Who has given a model to explain price rigidity under oligopoly?
    a. Cournot
    b. Sweezy
    c. Bertrend
    d. Stackleberg

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(Descriptive)

Time : 2 Hr. 30 Mins. Marks : 50

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

1. What are the features of a perfectly competitive market? Explain the short run equilibrium of a firm with economic profit under a perfectly competitive market. 5+5=10

2. What is price discrimination? How is price and output determined by a firm under price discrimination? Explain. 2+8=10

3. Explain Baumol's sales maximization model using a suitable diagram. Compare it with profit maximization objective of the firm. 7+3=10

4. What is kinked demand curve? How does kinked demand curve hypothesis explain price rigidity under Oligopoly? 3+7=10

5. How can we distinguish between risk lovers and risk averters? Derive the utility function of a risk averter and a risk lover. 3+7=10

6. a) What is meant by risk? How does it differ from uncertainty? 2+3+5=10
   b) Define the terms:
      1) strategy
      2) state of nature

7. Analyze the short run equilibrium of a firm working under monopolistic competition with suitable diagrams. 10

8. Explain Williamson's managerial theory of firms with the help of suitable diagram. 10

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