POST-GRADUATE COURSE

Term End Examination — December, 2007

M.Com.

MANAGERIAL ECONOMICS

PAPER II

Time — 2 hours *Full marks—50*
(Weightage of marks—80%)

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

Module I

Group - A

Answer **any one** question.

1. What do you mean by the "identification problem" relating to demand estimation. Discuss the problem in brief. Assess the importance of Market Experiments Method in this connection. 3+7+5=15

2.(a) Define Production Function and Isoquant.

(b) Show the cases of Isoquants under perfect factor substituability (σ), under zero substitutability and in the case where factor substituability is variable and finite ($o<\sigma<\infty$).

(c) Total cost function is given by :

$$C = 5000 + 1000q - 500q^2 + \frac{2}{3}q^3$$

Determine equations for AFC, AVC, ATC, MC. Calculate the slope of the MC curve and at what value of Q, does MC equal AVC ? 3+3+9=15

Group - B

Answer **any one** question.

3. How does the concept of Price elasticity of demand help us to determine substitute, complementary, inferior, superior and neutral goods ? How are these elasticities related with time ? 7+3=10

4. Discuss the advantages of the multi-plant over the single-plant firm.
How does such a firm achieve cost optimisation ? 4+6=10

5. What are the deficiencies of the neo-classical consumer theory ? How far is Lancaster's characteristic approach to consumer theory better than it ? 4+6=10

Module II

Group - A

Answer **any one** question.

6. Define 'Dead Weight Loss' (DWL). How can the area of the DWL triangle be estimated for linear demand function and for linear marginal cost case ? How would it differ in the general case ? 2+5+8=15

7. As alternative theories of firm explain Williamson's Expense Preference Model and compare it with Baumol's sales maximisation hypothesis and Marris's Growth Maximisation Hypothesis. 8+7=15

Group - B

Answer **any one** question.

8. Show the price and output policy of a profit maximising firm when there is imperfection in the product market and monopsony in the factor market. How can such a firm restrict its purchase below a socially optiomum level ? 8+2=10

9. Why is peak-load pricing adopted ? How can such a firm achieve price and output determination in both profit maximisation and welfare maximisation cases ? 3+7=10

10.a) What do you mean by Externality Problem in economics ? Give some examples of positive and negative externalities.

b) A monopolist faces the following demand and total cost curves :

Demand : $Q = 25 - 0{\cdot}5P$

Total Cost : $TC = 25 - 2Q + 4Q^2$.

Find out the equilibrium price and output of the firm. Determine TR, TC and the Profit level of the firm at equilibrium.

Will the firm shut down ? 2+3+5=10
