POST-GRADUATE COURSE

Term End Examination — December, 2009

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 :   15×1=15

1. What do you mean by the "identification problem" relating to demand estimation ? Discuss how would you overcome such a problem.

   Assess the importance of Market Experiment Methods in this connection.   2+8+5=15

2. Define Production Function and ISO-quants. Show the cases of ISO-quants where

   (a) elasticity of substitution is infinity,

   (b) zero and (c) finite and variable.

   Given the TC function,

   $$C = 0.1q^3 - 2q^2 + 15q + 10$$

   Calculate AFC, AVC, ATC, MC and slope of the MC

Curve. Determine where AVC is minimum. Show that MC cuts AVC at AVC min.

Derive cost curve from the Cobb-Douglas Production Function.   1+1+3+5+5=15

Group - B

Answer **any one** question :   10×1=10

3. What do you mean by the "Product Life Cycle" ? "The demand for a commodity is related to the phases of its life-cycle" – Comment on the statement with suitable examples.   3+7=10

4. State the Lancaster's approach to Consumer Theory in a two characteristics case. How is it better than the neo-classical theory of consumer's behaviour ?   7+3=10

5. Write short notes on (Any *two*) :   5+5=10

   (a) Distinction between Positive and Normative Economics and their relative uses in economic analysis.

   (b) Elasticity of demand in the short and long runs.

   (c) The Learning or Experience Curve in the Cost Analysis.

   (d) Regression Analysis for demand estimation problem.

Module II

Group - A

Answer **any one** question :   15×1=15

6. Do you consider profit-maximisation a fully satisfactory hypothesis about business behaviour ? State the behaviour of the firm which wants to maximise its sales revenue with or without profit restriction.   5+10=15

7. Explain the nature of a "Public Good". In the case of externality how does the Coase Theorem bring the Pareto-optimum allocation of resources ? How can you overcome its limitation ? 3+9+3=15

Group - B

Answer **any one** question : 10×1=10

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 his purchase below a socially optimum level ? 7+3=10

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

10. Write short notes on (Any *two*) : 5+5=10

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

Demand : Q = 25 – 0·5 P

Total Cost : TC = 25 – 2Q + 4Q²

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 ?

(b) Cost-plus and Mark-up Pricing.

(c) Functions of advertisement and its effects on economic welfare.

(d) Monopoly Dead-Weight Loss.

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