M.Com. 1st Semester Examination, 2012

MANAGERIAL ECONOMICS

PAPER – COM-105

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

UNIT – I

[Marks : 20]

1. Answer any *two* questions from the following : 5 × 2

(*a*) Define price elasticity, income elasticity and cross elasticity. How would you determine from the sign of cross elasticity whether goods are substitutable or complementary.

(*b*) What is price consumption curve ? Draw a demand curve from the price consumption curve.

(*c*) Distinguish between an inferior good and a giffen good. Prove that price effect is the sum of income effect and substitution effect.

(*d*) Define an iso-quant curve. Given the iso-quant curve of a firm, and its budget constraint, determine the least cost combination of inputs.

2. Answer any *one* from the following questions : 10 × 1

(*a*) Explain why the average cost curve of a firm is U-shaped. 10

(*b*) (*i*) Discuss the relation between average revenue, marginal revenue and price elasticity of demand.

(*ii*) Prove that for a Cobb-Douglas production function the two exponents, α and β, respectively stand for the elasticities of output with respect to L(labour) and K(Capital). 4 + 6

UNIT – II

[Marks : 20]

3. Answer any *two* questions from the following : 5 × 2

(*a*) (*i*) Stating the properties distinguish between 'pure competition' and 'perfect competition'.

(*ii*) State the condition where a firm in the perfectly competitive market produces break -even output.

(*b*) (*i*) Discuss the basic characteristics of a monopoly firm.

(*ii*) Define 'mark-up'.

(*iii*) Derive the relation between "mark-up" and the price elasticity of demand.

(*c*) (*i*) Discuss the basis of discrimination of price by a monopolist between different groups of buyers.

(*ii*) Establish the relationship between price and elasticity of demand in different markets.

(*d*) Discuss the significance of Leontief's inter-industry input-output model.

4. Answer any *one* of the following : 10×1

(*a*) (*i*) State the assumptions of the Leontief input -output model.

(*ii*) Given the following information, estimate the gross levels of output of the industries, required to satisfy the given bill of final demand :

	Industry 1	Industry 2	Final demand (million in Rs.)
Industry I	0·4	0·5	10
Industry II	0·4	0·3	2
Labour	0·2	0·2	—

Also calculate labour requirement. 2 + 8

(*b*) (*i*) Distinguish between 'pure strategy' and 'mixed strategy'.

(*ii*) Two players *A* and *B* match coins. If the coins match, then *A* wins 2 units of value. If the coins do not match, then *B* wins 2 units of value. Express the above information in the form of a matrix of pay-offs, and determine the optimum strategy for the players and the value of the game. 4 + 6

[*Internal Assessment* = 10 Marks]