2008

MANAGERIAL ECONOMICS

[1st Semester]

PAPER—CM 1105

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* from the following: 5x2

(*a*) Define consumer's surplus and show how it can be measured with the help of a diagram.

(*b*) Consider the total cost function is $e = 15q - 6q^2 + q^3$. Derive the equations of AC and MC curves. Find the output level at which AC is minimum and show that when AC is minimum, AC = MC.

(*c*) State the weak axiom of revealed preference with an example.

(*d*) What is the significance of convexity of an indifference curve?

2. Answer any *one* of the following: 10 x 1

(*a*) (*i*) How does an ordinary demand curve differ from a compensated demand curve?

(*ii*) Which of these two curves is more elastic at the same price for a normal good?

(*iii*) Decompose price effect into substitution effect and income effect for Giffen goods. 3 + 3 + 4

(*b*) (*i*) Find the condition that a firm must fulfil to minimise cost for a given level of output.

(*ii*) Why is the long-run average cost curve called an envelope of short-run average cost curves? 6 + 4

UNIT—II

[*Marks* : 20]

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

(*a*) Why is the notion of supply curve absent under monopoly market?

(*b*) Derive average revenue (AR) and marginal revenue (MR) curves under a perfectly competitive market and comment on their shapes.

(*c*) When does a firm under perfect competition decide to shut down in the short run?

(*d*) Explain the characteristic features of oligopoly.

4. Answer any *one* question: 10 x 1

(*a*) (*i*) When is price discrimination is possible and profitable ?

(*ii*) Graphically analyse the equilibrium situation of a discriminating monopolist.

(*iii*) Derive the supply curve of a firm under conditions of perfect competition if the equation of the total cost is:

$$C = 0{\cdot}1q^3 - 2q^2 + 15q + 10.$$

2 + 4 + 4

(*b*) (*i*) In a two industry input-output model show how the gross output levels can be determined given the final demands and the technological matrix.

(*ii*) Deduce the Hawkins - Simon conditions in a two-industry input-output model. What are the economic implications of these conditions ? 6 + 4

[*Internal Assessment* : 10 Marks]