

3 (Sem-2) ECO M 1

2 0 1 4

ECONOMICS

( Major )

Paper : 2.1

Full Marks : 80

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

1. Answer the following as directed :  $1 \times 10 = 10$

(a) State the equilibrium condition of a labour market under perfect competition.

(b) The determination of the factor price is concerned with functional distribution / personal distribution.

( Choose the correct answer )

(c) State the second-order condition of Pareto optimality.

(d) Net Profit = Gross Profit - \_\_\_\_\_

( Fill up the blank )

(e) In which form of price discrimination consumer surplus is zero?

(f) What is the present value of a future income  $X_i$  after a year, if rate of discount is  $r$ ?

(g) For a firm under perfectly competitive market, 'shut down' point falls below SAC where  $SAC = SMC$  / where  $SAC = SAVC$  / where  $SAVC = SMC = P$ .

( Choose the correct answer )

(h) The concept of 'social optimum' was introduced to the welfare economics by —.

( Fill up the blank )

(i) What is differential rent?

(j) Under collective bargaining, wage rate is —.

( Fill up the blank )

2. Answer the following questions :  $2 \times 5 = 10$

(a) Why under perfect competition price is equal to the marginal cost of the firm, at the point of equilibrium? 2

(b) Why under imperfect competition does the Value of Marginal Product (VMP) curve lie above Marginal Revenue Product (MRP) curve? 2

(c) Can quasi-rent become negative? Give argument in support of your answer. 2

(d) Define economic rent. Does it arise in case of land alone?  $1+1=2$

(e) State the dual criterion of Pigou for maximization of social welfare. 2

3. Answer any four of the following questions :  $5 \times 4 = 20$

(a) Explain the derivation of short-run supply curve of a firm under perfectly competitive market. 5

(b) Does rent enter into the price? Explain. 5

(c) What is meant by product differentiation? How does it affect firm's demand curve?  $2+3=5$

(d) What is payback period? The cost of an investment project is ₹ 20,000. It generates cash inflows in different years as ₹ 4,000; ₹ 8,000; ₹ 6,000 and ₹ 4,000. Calculate the payback period.  $2+3=5$

(e) Explain the concept of excess capacity. 5

(f) "An important function of an entrepreneur is to introduce innovation in the economy and profits are the reward for making innovation." Critically analyze the statement. 5

4. Answer any *four* of the following questions :

10×4=40

- (a) What are the pre-requisites of price discrimination by a monopolist? How does a discriminating monopolist allocate his outputs in different markets to charge different prices? 4+6=10
- (b) Explain the derivation of long-run supply curve for an increasing cost industry in a perfectly competitive market model. 10
- (c) Explain the wage determination when there is perfect competition in the product market and monopsony in labour market. 10
- (d) What is proportional and perceived demand of firms operating under monopolistic competition? Explain the long-run equilibrium of a firm under monopolistic competition with the help of these demand curves. 2+8=10
- (e) Diagrammatically explain the marginal conditions for attaining the efficiency in the distribution of product and factors. 10
- (f) Explain clearly the modern theory of rent. In what respect it is an improvement over Ricardian theory of rent? 10
- (g) Explain the dual exploitation of labour arisen in case of bilateral monopoly. How does collective bargaining try to solve this problem? 5+5=10

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