

SECOND SEMESTER B.A. DEGREE EXAMINATION, MAY 2015

(CUCBCSS—UG)

Core Course—Economics**ECO 2B 02—MICRO-ECONOMICS—II**

Time Three Hours

Maximum : 80 Marks

*Answers may be written either in English **or** in Malayalam.***Part A***Answer all **twelve** questions.*

1. In the long run, a monopolistically competitive firm will produce the output where price equals :
 - (a) Marginal cost.
 - (b) Average total cost.
 - (c) Marginal revenue.
 - (d) Average variable cost.
2. The positively sloped portion of the marginal cost curve is the result of :
 - (a) Increasing returns.
 - (b) Constant Returns.
 - (c) Diminishing Returns.
 - (d) Constant Variable cost.
3. In the long run, a monopolistically competitive firm will earn the same economic profit as :
 - (a) A price-discriminating monopolist.
 - (b) A single-price monopoly.
 - (c) A monopolistically competitive firm in the short run.
 - (d) A perfectly competitive firm.
4. The price that is equal to the minimum average variable cost of the firm is called :
 - (a) Break-Even price.
 - (b) Equilibrium Price.
 - (c) Shut Down Price.
 - (d) No Loss-No Profit Price.
5. The allocative efficiency under perfect competition is attained when :
 - (a) Producer's surplus is maximum.
 - (b) Consumer's Surplus is Maximum.
 - (c) Producer's Surplus exceeds Consumers.
 - (d) Sum of Consumers' and Producers' Surplus is maximum.

6. Under which of the following conditions a perfect competitive firm will be in equilibrium :

- (a) $SRMC = P$.
- (b) $SRATC = P$.
- (c) When it produces at the minimum point on its LRAC.
- (d) All the above.

7. A firm is said to be a price searcher if its demand curve is a :

- (a) Horizontal.
- (b) Vertical.
- (c) Upward sloping.
- (d) Downward sloping from left to right.

8. For a monopolistically competitive firm to be earning positive economic profit :

- (a) The production period must be the long run.
- (b) The production period must be the short run.
- (c) Rival firms must not exist.
- (d) Barriers to entry must exist.

9. Product differentiation is the feature of which of the following markets ?

- (a) Monopoly.
- (b) Monopolistic competition.
- (c) Duopoly.
- (d) Monopsony.

10. Which of the following is a derived demand ?

- (a) Demand for I-Phone.
- (b) Demand for an Apple.
- (c) Demand for Steve Job's Biography.
- (d) Demand for labour by Apple company.

11. A market with in which there are only few buyers is :

- (a) Monopsony.
- (b) Ologopsony.
- (c) Oligopoly.
- (d) Monopoly.

12. Zero economic profit in monopolistically competitive industries can be caused by :

- (a) Barriers to entry.
- (b) The lack of significant barriers to the entry of rival firms.
- (c) Failure to accept worthwhile risks.
- (d) The existence of excess capacity.

Part B

Very Short Answer Type Questions.

*Answer any **ten** Questions.*

13. Write a note on modern cost curves.
14. What is meant by duopoly ?
15. What are the degrees of price discrimination ?
16. What do you mean by reserve capacity of firms ?
17. What is meant by opportunity cost ?
18. Distinguish between economic cost and accounting cost.
19. What are the features of Perfect Competition ?
20. Write a note on Kinked Demand Curve.
21. What is derived demand ?
22. What is monopsony ?
23. Write a note on the dominant firm model of price leadership.
24. What do you mean by Economic rent of an input ?

(10 x 2 = 20 marks)

Part C

Short Essay Questions.

*Answer any **six** questions.*

25. Explain the features of Monopolistic Competition
26. Briefly explain Cournot's duopoly model.
27. Explain the nature of AR and MR curves faced by a monopoly.
28. Explain the important instances of market failure.
29. Explain the equilibrium conditions of monopoly market.
30. Explain the short run equilibrium conditions of monopolistic competition.
31. Explain the marginal productivity theory of factor price determination.
32. Explain the effects of advertising on profit in monopolistic competition.

(6 x 5 = 30 marks)

Part D

Essay Questions.

*Answer any **two** questions.*

33. Explain the Equilibrium conditions under Monopolistic Competition.
34. Explain about various types of short run and long run cost curves.
35. Explain the price and output determination by cartels in oligopoly.
36. Explain factor price determination in monopoly market.

(2 x 12 = 24 marks)