

[This question paper contains 2 printed pages.]

Sr. No. of Question Paper : 1729

Roll No.....

Name of the Paper : XIII – Applied Micro Economics

Name of the Course : B.A. (H) Business Economics

Semester : IV

Duration : 3 Hours

Maximum Marks : 60

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any **five** questions.
3. **All** questions carry equal marks.

1. (a) “A competitive firm must look to average variable cost in determining whether or not to produce, to marginal cost in deciding upon the best volume of production and to average total cost to calculate profits or losses.” Discuss.
- (b) Define producer’s surplus. How is short run producer’s surplus different from long run producer’s surplus in a competitive market ? (6,6)
2. (a) Examine relationship between monopoly price and elasticity of demand. What measures would you suggest for controlling monopoly power ?
- (b) Show how a profit maximising discriminating monopolist will distribute his output in two markets and charge different prices under third degree price discrimination. (6,6)
3. (a) Explain Cournot’s duopoly model. What do the reaction curves show under this model ?
- (b) Kinked Demand curve describes Price rigidity. Explain how this model works. What is its limitations ? (6,6)

P.T.O.

4. (a) Explain Baumol's sales maximisation model with help of a diagram.
- (b) How does the concept of Prisoner's dilemma explain the non-cooperative equilibrium? (6,6)
5. (a) What happens to wages and employment levels when union has monopoly power and firm has monopsony power?
- (b) Explain the concept of Economic and Quasi-Rent. (6,6)
6. (a) State and explain three conditions that must be fulfilled for the allocation of resources to be efficient.
- (b) Distinguish between general equilibrium analyses and partial equilibrium using an example. (6,6)
7. Write short note on any of the **two** :
- (a) Work leisure trade off
- (b) Monopolistic competition and excess capacity
- (c) Monopsonistic exploitation of labour
- (d) Price leadership (6,6)