

(2 Hours)

(Total Marks : 60)

(Please check whether you have got the right question paper)

- N. B. :**
- All questions are compulsory.
  - Figures to the right indicate full marks assigned to each question.
  - Draw neat diagrams wherever necessary.

- Explain the concept of snob appeal and Veblen effect. (08)
  - Discuss the paradox of bumper harvest. (07)

**OR**

  - Describe the important objectives of administered price control. (08)
  - Discuss the consumer's equilibrium with the help of indifference curve analysis. (07)
- The Slope of an iso quant is the measure of relative marginal productivities of factors. Explain (08)
  - State and explain the law of return to scale with the help of diagram. (07)

**OR**

  - Comment on expansion path and multiproduct firm. (08)
  - Bring out the relationship between AC and MC with the help of diagram. If the AC is rising does it mean that MC must also be rising? (07)
- Discuss the methods of measuring monopoly power. (08)
  - Explain price-output determination under perfect cartel. (07)

**OR**

  - Discuss how Nash equilibrium is used to analyse strategic decisions? (08)
  - Analyze the following case study and answer the questions below: (07)

There are usually thousands of restaurants in any large city catering to all types of foods, tastes, incomes and sectors. Some restaurants are luxurious and expensive, while others are simple and inexpensive. Some restaurants provide entertainment, while other does not.

In one block in mid-Manhattan there are about 17 restaurants: 5 Italian, 4 French, 3 Chinese and one each Brazilian, Indian, Japanese, Korean, and Spanish. In a recent issue of New York Magazine, were advertisements for more than 100 restaurants of all type and there is only small fraction of the restaurants in the city. Entry in to restaurants business is also relatively easy.

In any large city, hundreds of restaurants open each year and about equal number of them close during the same year. Since each restaurants offers somewhat differentiated product, many advertise their existence, location and menu together with the usual claim of superiority over all other restaurants in the same class (which no one really takes it seriously).

- Examine the characteristics features of the market defined in the case.
- Illustrate short run equilibrium of firm under this market structure with the help of a diagram.

4. a) Choose the right option from the following :
- (07)
- i) When there are negative externalities, the price should be adjusted so that it is equal to \_\_\_\_\_.
    - a. Social cost
    - b. Private cost
    - c. Amount of externality
    - d. Zero
  - ii) The concept of opportunity cost can be explained by using a
    - a. Indifference curve
    - b. PPC curve
    - c. Iso-Quant curve
    - d. None of the above
  - iii) The problem of business economics is the problem of \_\_\_\_\_.
    - a. Inefficiency
    - b. Poverty
    - c. Scarcity
    - d. All of the above
  - iv) The term maximum profit refer to pure profit which is a surplus of total revenue over \_\_\_\_\_.
    - a. Marginal cost
    - b. Total cost
    - c. Total revenue
    - d. Average cost
  - v) The concept of invisible hand is put forward by \_\_\_\_\_.
    - a. David Ricardo
    - b. Amartya Sen
    - c. J.M. Kenyes
    - d. Adam Smith
  - vi) Economic efficiency can be corrected by improving \_\_\_\_\_.
    - a. Market failures
    - b. Inflation
    - c. Unemployment
    - d. None of the above
  - vii) Market failure takes place due to \_\_\_\_\_.
    - a. Perfect information
    - b. Externalities
    - c. Private goods
    - d. None of the above

b) Give precise meaning of the following.

- a. Scarcity
- b. Marginal Principle
- c. Opportunity cost
- d. Economic profit

(08)

OR

4. Write short notes on any three of the following :

- a. Role of government in market failure
- b. Indifference curve
- c. Determinants of demand
- d. Short run equilibrium of the firm under perfect competition
- e. Prisoner's Dilemma.

(15)