31/12/18

[Time: 2 Hours]                                                              [ Marks:60]

Please check whether you have got the right question paper.

N.B:   1.   All questions are compulsory.
       2.   Figures to the right indicate full marks.
       3.   Draw neat diagrams wherever necessary.

Q.1
a) Explain the determinants of demand.                                                    07
b) "Tangency between indifference curve and price line is a necessary condition but not a sufficient   08
   condition for consumer's equilibrium", Discuss.
                           **OR**
c) Explain the minimum wage controversy.                                                  07
d) Explain the concept of Bandwagon effect and Veblen effect.                             08

Q.2
a) "The firm can maximize its profits by employing the factors in optimal combinations at which the   07
   cost of production will be minimum", Explain.
b) Explain the law of variable proportion with suitable illustration and diagram.         08
                           **OR**
c) Write a note on – 'Learning curve'.                                                    07
d) The total cost schedule of a firm is given below, from this derive the TFC,TVC, AFC,AVC, ATC   08
   and MC of the firm.

| Output (units) | 0 | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| TC (Rs.) | 60 | 100 | 120 | 162 | 236 | 360 |

Q.3
a) Explain the equilibrium of a discriminating monopolist with the help of a suitable diagram.   07
b) Explain with help of suitable diagram equilibrium of an oligopoly firm facing kinked demand   08
   curve.
                           **OR**
c) Explain the methods of measuring monopoly power.                                       07
d) Alen and Jack were involved in the drug selling. They were caught by Drug Enforcement   08
   Administration but they had insufficient proof and hence they require a testimony from either of
   them to go ahead with the prosecution. Both of them will be interrogated separately and do not
   come in any kind of contact what so ever.
   Both the suspects do not want to end up in jail.
   Following is the pay off matrix for Alen and Jack.

|  | Alen Confess | Alen Don't Confess |
|---|---|---|
| Jack Confess | 8 years, 8 Years. | 0 years, 20 years |
| Jack-Don't confess | 20 years,0 years | 6months, 6 months |

   On the basis of above pay off matrix...
   i)   Explain the basic concepts used in the game theory.
   ii)  Discuss dilemma of both suspects Alen and Jack

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Q.4 a) State whether the following statements are true or false  07
   i) Business economics is the applications of economics to business decisions.
   ii) In a market economy prices act as incentives and signals.
   iii) Profit is maximized at a point where total revenue is greater than total cost.
   iv) Economic profit= Total revenue – Explicit cost
   v) The imperfect information is a source of market failure.
   vi) Market failure does not occur in the case of public goods.
   vii) Allocative efficiency occurs when goods and services are distributed according to consumer preference.

   b) Give precise meaning of the following  08
   i) Externalities
   ii) Opportunity cost
   iii) Public goods
   iv) Accounting Profit
                   OR
Q.4       Write short note on any three of the following  15

   a) Scope of Business Economics
   b) Production possibility frontier
   c) Expansion path
   d) External Economies
   e) Cartels

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