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Total No. of printed pages = 02

Monsoon, 2023
M.A. Semester Examinations
Microeconomic Analysis

Course Code: MEM23501T

Full Marks –50

Time – 2 hours

The figure in the margin indicates full marks for the questions.

1. Answer the following questions:

10x1=10

- (i) Which of the following statements about utility is correct?
 - a) One of the main characteristics of utility is that it is a relative concept.
 - b) One of the main characteristics of utility is that it is a subjective concept.
 - c) One of the main characteristics of utility is that it is a psychological phenomenon.
 - d) All of the above.

- (ii) In a situation under uncertainty, if a consumer faces equal expected income from two alternatives, then the consumer will take decision on the basis of -
 - a) Expected utility of both the alternatives.
 - b) Probability of risk attached with each alternatives.
 - c) Variation of risk attached with each alternatives.
 - d) Mean of risk of each alternatives.

- (iii) Which curve represents the combination of two goods that gives equal satisfaction to the consumer?
 - a) Supply curve
 - b) Philips Curve
 - c) Indifference curve
 - d) None of the above

- (iv) In case of indifference curve of two goods, X and Y, as consumption of X increases
 - a) MRS_{xy} increases.
 - b) MRS_{xy} decreases.
 - c) MRS_{xy} remains the same.
 - d) First MRS_{xy} increases and later on decreases.

- (v) Which of the following expresses the relationship between physical output and physical input of a production process?
 - a) Consumption function
 - b) Utilization function
 - c) Production function
 - d) Sales function

(vi) Price discrimination is a strategy often associated with monopolies. What does price discrimination involve?

- a) Charging the same price to all customers
- b) Charging different prices to different customers for the same product
- c) Setting prices based on average costs
- d) Allowing customers to negotiate prices.

(vii) Euler's theorem is related to the

- a) Production function
- b) Utility maximization
- c) Capital accumulation
- d) Cost-minimization in production

(viii) Which factor is not typically associated with economies of scale?

- a) Specialization of labour
- b) Bulk purchasing discounts
- c) Increased bureaucracy and communication challenges
- d) Technological advancements

(ix) The Edgeworth box is a graphical tool in economics to illustrate

- a) Consumer preferences
- b) Production possibilities
- c) Market equilibrium
- d) Exchange possibilities between two individuals

(x) In the context of Pareto optimality, a point is considered efficient if:

- a) No one can be made better off without making someone else worse off
- b) The government intervenes to redistribute wealth
- c) All individuals have equal wealth
- d) The market achieves perfect competition

2. Answer any two: (Maximum word limit is 150 words) 2x5=10

- a) Discuss why lexicographical ordering is a contradiction to Indifference curve.
- b) Discuss the advantages of general equilibrium approach over that of partial equilibrium approach.
- c) What is Cobb-Douglas production function? If production function of a firm is $Q=A(L^{0.1})K^{0.9}$, what can you conclude about its production according to the Cobb-Douglas Production function.
- d) Discuss briefly about Cournot's oligopoly model.

3. Answer any three : (Maximum word limit is 300 words) 3x10=30

- a) What do you mean by Optimum welfare? What are the factors that prevent the achievement of optimum welfare?
- b) In a particular production process, as the employment of the variable factor increases, the total product increases at a diminishing rate. Illustrate with an example.
- c) Discuss the Walrasian Excess demand approach to general equilibrium.
- d) Explain how in an oligopolistic market, cartels and mergers helps to prevent price war and maximize profits.
- e) Discuss how a stable equilibrium can be reached if the firms recognize their interdependence and act accordingly to maximize the industry profit.