

(b) Explain how a producer in monopolistic competition reaches equilibrium. Additionally, discuss the concept of excess capacity in the context of monopolistic competition. (10)

6. (a) Consider two goods, Good X and Good Y, where a consumer can substitute Good X for Good Y and vice versa at a constant rate. Comment on the indifference curve and equilibrium of the consumer under this assumption. Additionally, discuss whether your answer would change if the consumer were unable to substitute Good X for Good Y and vice versa at all. (12)

(b) Explain how ordinal utility analysis provides an explanation for the law of diminishing marginal utility. (6)

7. Write short notes on any **TWO** of the following : (9+9=18)

- (i) Social cost of monopoly.
- (ii) Derivation of long run supply cost curve for the decreasing cost industries under perfect competition.
- (iii) Long run and short run expansion paths.

(500)

[This question paper contains 4 printed pages.]

**Your Roll No.....**

**Sr. No. of Question Paper : 1324**

**F**

Unique Paper Code : 2922061202

Name of the Paper : Microeconomics

Name of the Course : **Bachelor of Management Studies**

Semester : II

Duration : 3 Hours

Maximum Marks : 90

**Instructions for Candidates**

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. **All** parts of each question must be done together.
3. Use of simple Calculator is allowed.
4. Attempt **FIVE** questions in all. Question No. 1 is compulsory.

1. Attempt any **three** questions out of the following :

- (i) What do you understand by Law of Demand? Give exception to Law of Demand.
- (ii) What is your understanding of movement along the demand curve and shift in the demand curve?
- (iii) Why supply curve is upward sloping?

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- (iv) What is your understanding of movement along the supply curve and shift in the supply curve?
- (v) If the weekly demand of Rice at the current prevailing price of Rs. 45/Kg is 2000 Kgs and the supply is 1400 Kgs then state if the market is at equilibrium and if not how equilibrium will be achieved? (3×6=18)
2. (a) Explain the downward sloping nature of the demand curve using the concept of the "law of diminishing marginal utility." Support your explanation with diagrams. (8)
- (b) Given the demand curve for coffee as  $Q = 100 - 0.5P$  and the current market price of Rs. 10,
- (i) Calculate the point price elasticity of demand.
- (ii) If the price increases from Rs. 10 to Rs. 12, will the price elasticity of demand change or remain the same? If it changes, provide a reason for such a change. (10)
3. (a) A consumer consumes two goods, good X and good Y. With a decrease in the price of good X, the consumer starts consuming more of good Y.

- Comment on the type of goods X and Y and illustrates the effect of the price change by decomposing into the substitution effect and the income effect. (9)
- (b) Using an isoquant map, demonstrate how to derive the total product curve. Additionally, explain the concept of relevant and irrelevant parts of the isoquants. (9)
4. (a) Explain in detail how a producer in monopoly market determines the profit-maximizing quantity when the elasticity of demand is greater than 1. Discuss the differences in this decision-making process compared to a producer in perfect competition. (10)
- (b) Provide a detailed explanation of the concept of third-degree price discrimination. Discuss how it differs from second-degree price discrimination. (8)
5. (a) Comment on the concept of a kinked demand curve faced by a producer in an oligopoly market. Explain how the producer reaches equilibrium in this scenario. (8)