(b) "In labour economics, the supply of labour does not always increase with higher wages; at some point, workers may actually choose to work less." Explain this concept with reference to backward-bending supply curve of labour? (9+9)

6. (a) Show how Edgeworth box diagram explains the exchange of two goods between two people.

(b) "An allocation of resources is considered efficient if no one can be made better off without making someone else worse off." Justify this with reference to Pareto efficient allocation. (9+9)

7. (a) "In a perfectly competitive market, firms and consumers interact in such a way that resources are allocated efficiently." How is efficient equilibrium achieved in the output market?

(b) "Social choice theory highlights the difficulty of aggregating individual preferences into a collective decision, a problem formalized by Arrow's Impossibility Theorem."

What is the relation between Arrow's theorem and social welfare? (9+9)

[This question paper contains 4 printed pages.]

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

Sr. No. of Question Paper : 5036 **K**

Unique Paper Code	:	2922102301
Name of the Paper	:	Microeconomics – II
Name of the Course	:	**B.A. (H) Business Economics**
Semester	:	III

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. Attempt **five** questions in all.
3. Question No. **1** is compulsory.
4. Attempt any **4** questions from the rest.
5. All questions carry **equal** marks.

1. Write short note on any **three** of the following : (6×3)

   (i) Fair allocation of resources

   (ii) Prisoner's Dilemma

   (iii) Second degree price discrimination

   (iv) Quasi Rent

2. (a) "A firm may sometimes continue producing even when it is making losses, but there exists a critical point below which production must stop." Justify this statement with reference to the shutdown point for a firm.

   (b) "Government intervention to regulate or restrict monopoly power may help consumers, but it can also involve certain trade-offs." Do you agree? Justify your answer. (9+9)

3. (a) "A monopolist has the power to set prices above marginal cost, but the extent of this up depends on how sensitive consumers are to price changes."

   Does elasticity of demand affect price markup under monopoly?

   (b) Differentiate between a monopolistically competitive firm and a perfectly competitive firm. (10+8)

4. Suppose two firms (duopoly) produce a homogeneous product. Market demand is : $P = 120-2Q$, $Q = q1+q2$.

   Each firm has a constant marginal cost of Rs. 20.

   Answer the following questions :

   (a) Derive the best response function of each firm.

   (b) Find –

   (i) Cournot-Nash equilibrium

   (ii) Total output

   (iii) Output of each firm

   (iv) Market price

   (v) Profit of each firm.

   (c) If both firms work under perfect competition, Find the Total Output.

   (d) What will be the output of each firm, if both firms Collude. (4+10+2+2)

5. (a) "In the short run, when capital is fixed and only labour can be varied, firms must carefully decide how much labour to employ." How does a firm make the decision of hiring labour in a competitive market under these conditions?