

2016

M.A./M.Sc. 1st Semester Examination

ECONOMICS

PAPER—ECO-101

Full Marks : 40

Time : 2 Hours

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Use separate Answer-scripts for Group-A & Group-B

Group—A

1. Answer any two questions from the following : 2×2
- (a) Examine the view that there is no technological limit to the size of a firm.
 - (b) What is market failure? Indicate two main reasons behind it.

(Turn Over)

- (c) What do you mean by risk diversification ? How does a large firm diversify its risk ?
- (d) Briefly explain the properties of a neo-classical firm.
2. Answer any *one* question from the following : 6×1
- (a) How will you explain the existence of firms in an economy where the transactions are otherwise optimally performed in the market ? 6
- (b) Define the production possibility frontier (PPF). Under what conditions is the PPF linear ? 2+4
3. Answer any *one* question from the following : 10×1
- (a) Present briefly the Miller-Modigliani model for the determination of optimum capital structure of a joint stock company.
- (b) Define Pareto optimality in a two-factor-two-commodity-two-individual economy. Explain its correspondence with the perfectly competitive market economy. 6+4

Group—B

4. Answer any *two* questions from the following : 2×2

- (a) Why do mergers occur ?
- (b) What is sunk cost ?
- (c) Distinguish between deterred entry and accommodated entry.
- (d) What do you mean by Judo economics ?

5. Answer any *one* question from the following : 1×6

- (a) Explain contestable market equilibrium with the help of a suitable diagram.
- (b) "Price regulation is most often practised in natural monopoly." Explain the statement.

6. Answer any *one* question from the following : 1×10

- (a) Show, under a Cournot duopoly structure, that a merger among firms leading to an increase in concentration does not necessarily imply an overall welfare reduction.

[Given that the per unit costs of production are 1 and 4 units respectively and the demand equation is $P = 10 - Q$].

Distinguish between horizontal mergers and vertical mergers. 7+3

- (b) Discuss the organisational structure of Pharmaceutical industry in India.
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