2017

DDE

M.Com. Part-II Examination

COMMERCE

PAPER—V

Full Marks : 100

Time : 4 Hours

The figures in the right-hand margin indicate full marks.

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

Illustrate the answers wherever necessary.

First Half

(Managerial Economics)

[Marks : 50]

Answer *Q. No. 1* and any *two* from the rest.

1. Answer any *four* questions : 4×5

(a) Distinguish between individual demand and market demand. How can you get the market demand curve from the individual demand curves ?

(b) Explain the concept of demand forecasting. Why is it necessary ?

(c) What do you mean by price elasticity of demand ? Distinguish between elastic demand and inelastic demands citing appropriate examples.

(d) The Total Fixed Cost (TFC) curve and hence show the Average Fixed Cost (AFC) curve. Explain the shapes of both the TFC curve and the AFC curve, giving reasons for your answer.

(e) Write a brief note on Cobweb Theorem.

(f) Prove that the elasticity of factor substitution is unity for Cobb Douglas production function.

(g) How is the reaction function of an oligopolistic firm derived ?

(h) Write a short note on two-person zero-sum game.

2. (a) State the three stages of production with the law of variable proportions. Why will a firm locate input-output decision in the stage of generalized diminishing returns to a vairable input ?

(b) Make a clean distinction between the law of variable proportions and the laws of returns to scale. 10+5

3. (a) Considering the case of two industries and mentioning the basic assumptions, give a brief description of the Leontief State Open Model (LSOM). Explain the significance of the terms 'static' and 'open'.

(b) Suppose the technological matrix of an economy is give by

$$A = \begin{bmatrix} 0.1 & 0.3 & 0.1 \\ 0 & 0.2 & 0.2 \\ 0 & 0 & 0.3 \end{bmatrix}$$

Find out the gross output vector that needs to be produced to meet the final demand vector given by

$$C = \begin{bmatrix} 20 \\ 0 \\ 100 \end{bmatrix}$$

7+8

4. Explain diagramatically the relation between short-run and long-run average costs. How would you derive the long-run total cost function from a given production function. 12+3

5. (a) Distinguish between pure and mixed strategies.

(b) Why is a constant-sum game also a zero-sum game ?

(c) Consider the pay off matrix

		Player–II	
		b_1	b_2
Player I	a_1	1	5
	a_2	6	4

Find the optional strategies of the two players as well as the value of the game.

Second Half

(Elements of Macro-economics)

[Marks : 50]

Answer *Q. No. 6* and any *two* from the rest.

6. Answer any *four* questions : 4×5

(a) "Savings equal to investment"
How can you arrive at this statement?

(b) Explain the present value criterion of investment.

(c) What is an Is curve? Present it graphically and explain its shape.

(d) "Balance of payments always balances". Substantiate this statement with an example.

(e) What is meant by GNP deflator? What purpose does it serve in national income analysis?

(f) Suppose consumption function and investment in a two-sector economy are given as :

$C = 50 + 0°8Y$, and

$I = 50$.

Find the equilibrium level of income, consumption and saving.

(g) Distinguish between :

(i) Capital and investment.

(ii) Autonomous and induced investment.

(h) Explain the Concept of 'permanent income', following Miltion Friedman. Give some examples.

7. (a) The following equations describe an economy :

Consumption : $C = 100 + 0°8\ Y_d$

Investment : $I = 150 - 6i$

Government Expenditure : $G = 100$

Income tax : $t = 0.25\ Y$

Real demand for money : $M^d = 0°2Y - 2i$

Nominal money supply : $M_s = 300$

Price level : $P = 2$

(b) Suppose money supply and demand-for-money function are given as : M = 250 billion and M_d = 100 + 0.5Y – 2500i. Find the LM function.

4+3+3+5

8. Distinguish between the product and the money markets. Explain the interdependence between these two markets. Discuss the role of this interdependence in the determination of general equilibrium in the economy. 5+4+6

9. Present the simple Keynesian model of income determination where investment is determined exogeneously. State and explain the condition of stability of equilibrium.

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10. (a) What do you mean by inflanary gap? Explain you answer very clearly with the help of a neat diagram.

(b) Explain how inflation affects different sectors of people of a society. 6+9

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