

2018

M.A./M.Sc. 1st Seme. 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.

Group-A

1. Answer any two questions : 2×2
- (a) What is product-mix optimality ? State the condition for attaining such optimality.
- (b) Formulate a set of conditions under which the production possibility frontier becomes a negatively sloped straight line.

(Turn Over)

- (c) Define and explain the concept of pecuniary externality.
- (d) What do you mean by division of labour? What are the main advantages of it?

2. Answer any *two* questions : 2×4

- (a) What are the basic features of a perfectly competitive market? Single out one feature that alone can be used to define such a market grossly. Justify your answer.
- (b) What are the basic conditions for the attainment of Pareto optimality in a two factor (L & K) two commodity (X & Y) and two individual (A & B) economy? Show how all these conditions are automatically satisfied if all relevant markets are perfectly competitive.
- (c) What is information cost? What is the role of information cost in the existence of firms?
- (d) What is conglomeration? What are the main reasons behind its prevalence?

3. Answer any *one* question : 1×8

- (a) What is market failure? What are the major forms of market failure? Explain the reasons behind any two forms of market failure. 2+3+3

- (b) Explain the Miller-Modigliani model in the determination of optimum capital structure of a joint stock company.

Group-B

4. Answer any *two* questions : 2×2

- (a) What do you mean by horizontal merger ?
- (b) What is accommodated entry ?
- (c) What is Sunk Cost ?
- (d) Why do mergers occur ?

5. Answer any *two* questions : 2×4

- (a) Discuss any two measures of concentration.
- (b) Show with the help of a model that Sunk Costs generate entry barrier.
- (c) Show with the help of an example that a merger into a single monopoly firm between firms producing complementary products would reduce the price of systems.

- (d) Distinguish between entry barrier and entry deterrence.
What are the different types of entry deterrence ?

2+2

6. Answer any *one* question :

1×8

- (a) Discuss the contestable market equilibrium with the help of a diagram.
- (b) Show with the help of an example that entry occurs in the presence of Sunk-Cost entry barriers with partial cost recovery.
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