2018

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) What is Managerial Economics ? Explain, in brief, the scope of Managerial Economics.   2+3

(b) Distinguish between pure strategies and mixed strategies.

(c) Explain the concept of unitary elasticity of demand. What will be the shape of the demand curve having unitary elasticity of demand? Give arguments in favour of your answer. 3+2

(d) Consider the simple utility maximisation problem subject to a budget constraint in a 2-goods case. Interpret the Lagrangian multiplier used by you during the maximisation exercise.

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

(f) Graphically explain the concepts of "break even point" and "shutdown point". With which market are these concepts related? 2+2+1

(g) Make a clear distinction between collusive and non-collusive oligopoly market structure. 3+2

(h) Calculate the elasticity of substitution between K and L for $Q = L^\alpha + K^\alpha$, $0 < \alpha < 1$.

2. (a) Explain your familiarity with (i) Giffen goods, (ii) Inferior goods and (iii) Luxury goods.

(b) Briefly discuss the factors affecting price elasticity of demand of a commodity.

(c) For a demand function

$$Q_d = 2000 - 30p$$

and the supply function

$$Q_s = 20P,$$

find out (i) equilibrium price, (ii) equilibrium quantity and (iii) the gap between demand and supply at P = Rs. 20 and at P = Rs. 50/-.

5+5+5

3. (a) Give the form of the Cobb-Douglas production function, indicating the parameters involved therein. Find the expansion path for this production function and give the interpretation of this expansion path.

(b) Make a clear distinction between the law of variable proportions and the laws of returns to scale.

(3+7)+5

4. (a) What is price discrimination? Prove that price discrimination made by a monopolist will be profitable only if the elasticity of demand differs in different markets.

   (b) Explain the relation between average revenue (AR) and marginal revenue (MR) under monopoly. How can you explain the idea that the monopolist will attain equilibrium only at the elastic zone of the AR curve?

   (c) "The notion of supply curve is not very meaningful in monopoly." Do you agree with this view? Explain why. 5+5+5

5. A two-sector open static Leontief system with one primary factor (labour) has the following technology matrix:

	X_1	X_2
X_1	0.6	1
X_2	0.1	0.7
L	0.22	0.33

   (a) Find out the gross output level for both the sectors when the final demand for each output is 50 units, assuming there is no shortage of labour.

   (b) Find out the prices if wage rate is unity. 8+7

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) What is macro-economics? Of the two vital branches of Economics (Micro-economics and Macro-economics) which one is more significant to you and why?

   (b) Explain the subjective factors affecting the level of consumption of a country.

   (c) Write a brief note on "consumption ratchet".

   (d) Explain some of the basic characteristics of the New Classical Macro-economics.

   (e) What is an LM curve? Present it graphically and explain its shape.

(f) Do you find any relationship between inflation and unemployment? If so, what is that relation and how can you account for that?

(g) What is inflationary gap? Graphically explain this concept.

(h) What do you mean by balance of payments? Explain different components of balance of payments of a country.

7. (a) Define GNP of a country. How can you get NNP from GNP? Do you think that an increase in GNP will necessarily mean an increase in social welfare of a country? Give reasons for your answer.

(b) Explain the method available for avoiding double counting in national income measurement of a country. (2+1+5)+7

8. (a) Compare the classical and the Keynesian models of income determination and point out the crucial differences between the two.

(b) What is investment multiplier? How is it related with the marginal propersity to consume? Find out the limiting values of this multiplier. 7+8

9. What do you mean by the term "consumption function"? Explain, in brief, the permanent income hypothesis propounded by Milton Friedman to reconcile the short-run non-proportional consumption-income relationship with the long-term proportional consumption-income relationship. 3+12

10. (a) What is the speculative demand for money? How is it related with the rate of interest? Hence explain the concept of "liquidity trap". Discuss its implications from the point of view of the monetory policy aiming at full employment.

(b) Let the consumption function of an economy be given by

$$C = 0.8y + 400$$

While the investment function is given as

$$I = 0.15y + 600.$$

Find out the equilibrium level of income. Also find the amount of saving and investment at the equilibrium level and show that they are equal.

8+7