

**2009**

**M. Com.**

**1st Semester Examination**

**MANAGERIAL ECONOMICS**

**PAPER — CM-1105**

*Full Marks : 50*

*Time : 2 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.*

**Unit—I**

**[Marks : 20]**

1. Answer any *two* questions : 5×2
  - (a) State the axioms of Revealed Preference theory.
  - (b) Define elasticity of substitution and show that it is equal to unity for Cobb-Douglas production function.
  - (c) What is expansion path? Show how the long run cost function can be derived from the expansion path of the firm.
  - (d) Define cross price elasticity of demand and explain its uses.
  
2. Answer any *one* of the following : 10×1
  - (a) (i) How can the price-elasticity of demand for a good be determined directly from the slope of the price-consumption curve? 6
  - (ii) Distinguish, following Hicks, between the income effect and substitution effect of a price-change. 4

*(Turn Over)*

- (b) (i) State the law of variable proportion and show how the U-shape of the short run AVC curve can be derived from this law.
- (ii) Show how the shape of long run total cost curve depends on the nature of returns to scale.

**Unit—II**

**[Marks : 20]**

3. Answer any two of the following : 5×2

- (a) Prove that a monopolist never produces an output level where the absolute value of the price elasticity of demand is less than unity.
- (b) Distinguish between pure strategy and mixed strategy in the theory of games.
- (c) Prove that in a perfectly competitive market a firm reaches equilibrium in the short run where price equals marginal cost.
- (d) State the assumptions of Leontief static open input-output model. What is the distinction between an open model and a closed model?

4. Answer any one question : 10×1

- (a) (i) State the features of monopolistic competition.
- (ii) Prove that in long run equilibrium under monopolistic competition excess capacity remains present. 5+5
- (b) (i) Describe and classify games. Show the equilibrium position of the following constant sum game: 4+6

	Player B			
	I	II	III	
Player A	I	3	2	6
	II	2	9	1
	III	4	7	5

*[ Internal Assessment : 10 Marks ]*