PG/IS/ECO-103/11

MA/M.Sc. 1st Semester Examination, 2011

ECONOMICS

PAPER– III (ECO-103)

Full Marks : 40

Time : 2 hours

The figures in the right-hand margin indicate 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 *five* questions : 2 × 5

(*a*) Define 'a Neo-classical Firm' in the context of organisational theory of Economics.

(*b*) How is 'Division of Labour' used to determine the technological size of a firm ?

(*Turn Over*)

(*c*) Indicate the characteristics of 'market' as the main economic organisation.

(*d*) Define ownership exernality.

(*e*) What is the relevance of the assumptions of 'no strong increasing returns to scale' in the attainment of Pareto optimality through perfect competition ?

(*f*) Mention few firm-specific and country-specific factors that have positive correlation with FDI inflows.

(*g*) "It is cheaper to service FDI than borrowing." Explain the statement.

(*h*) What is the effect of Sunk cost in contestable market equilibrium ?

(*i*) How concentration of industries can be measured by entropy index ?

(*j*) Define conglomerate mergers.

GROUP – B

Answer any *two* questions : 5 × 2

2. Define 'information cost'. Explain the relevance of information cost in the optimal functioning of the market system in an economy.

3. Compare Stackelberg solution with the Cournot solution to the oligopoly model in the context of formation of 'cartel'.

4. Define and explain survival optimality of a firm.

5. Discuss some direct benefits of the increasing presence of MNCs in India.

GROUP – C

Answer any *two* questions : 10 × 2

6. Define market failure. What are the different modes of market failure ? Relate externality with those modes. 10

7. Explain the Miller-Modigliani model in the determination of optimum capital structure of a joint stock company. 10

8. Discuss the strategic behaviour of the incumbent firm i.e. whether it will overinvest or underinvest under (*i*) deterrence of entry situation and (*ii*) Accommodation of entry situation. 5 + 5

9. Analyze the entrant's choice of capacity when facing a large dominent incumbent firm that has the option to expand capacity and deter entry assuming that production is costless and firms produce a homogeneous product for a single mkt with $P = 100 - Q$. 10