

C 21906

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Name.....

Reg. No.....

**SECOND SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION  
APRIL 2022**

Economics

ECO 2B 02—MICRO ECONOMICS—II

(2016—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

*Answers may be either in English or in Malayalam.*

**Part A**

*Answer all twelve questions.*

*Each question carries ½ mark.*

1. If the outputs levels at which short-run marginal and average cost curves reach a minimum are listed in the order from smallest to greatest, then the order would be :
 

a) AVC, MC, ATC.	b) ATC, AVC, MC.
c) MC, AVC, ATC.	d) AVC, ATC, MC.
  
2. Firms in monopolistic competition make products that are :
 

a) Close but not perfect substitutes.	b) Perfect substitutes.
c) Close but not perfect complements.	d) Perfect complements.
  
3. Monopolist maximizes profit at the point where :
 

a) $MC = AC$ .	b) $MC = MR$ .
c) $AC = AR$ .	d) $MR = AR$ .
  
4. The market structure in which number of sellers is small with interdependence is called :
 

a) Perfect competition.	b) Monopoly.
c) Monopolistic competition.	d) Oligopoly.
  
5. Selling cost is a feature of :
 

a) Monopolistic competition.	b) Perfect competition.
c) Monopoly.	d) Bilateral monopoly.

Turn over

6. A situation where countries export a product at a price below the cost of its production is :
- a) New protectionism.
  - b) Price discrimination.
  - c) Full cost pricing.
  - d) Dumping.
7. Under Cournot Model of Duopoly, each duopolist will produce :
- a) Half the output.
  - b) One-fourth of the output.
  - c) One-sixth of the output.
  - d) One-third of the total output.
8. The market supply curve shows :
- a) The effect on market demand of a change in the supply of a good or service.
  - b) The quantity of a good that firms would offer for sale at different prices.
  - c) The quantity of a good that consumers would be willing to buy at different prices.
  - d) All of the above are correct.
9. A profit maximizing firm in perfect competition produces where :
- a) Total revenue is maximized.
  - b) Marginal revenue equals zero.
  - c) Marginal revenue equals marginal cost.
  - d) Marginal revenue equals average cost.
10. In a monopsony market there is :
- a) Single seller.
  - b) Single buyer.
  - c) Two sellers.
  - d) Two buyers.
11. The Marginal Revenue Product is likely to be wage inelastic if :
- a) Labour costs are a high percentage of total costs.
  - b) Demand for the final product is price inelastic.
  - c) It is relatively easy to substitute capital for labour.
  - d) There are many substitutes for the final product.

12. According to the kinked demand curve model, a firm will assume that rival firms will :
- Keep their rates of production constant.
  - Keep their prices constant.
  - Match price cuts but not price increases.
  - Match price increases but not price cuts.

(12 × ½ = 6 marks)

**Part B (Very Short Answer Type Questions)**

*Answer any ten questions.*

*Each question carries 2 marks.*

- What is peak load pricing ?
- Distinguish between AVC and AFC.
- Define a dominant firm ?
- What is meant by economies of scale ?
- What is Dumping ?
- What is meant by product differentiation ?
- What is meant by factor market equilibrium ?
- Define a cartel with a suitable example.
- Distinguish between explicit cost and implicit cost ?
- What is Duopoly ?
- Prepare a note on international price discrimination.
- What is collusive oligopoly ?

(10 × 2 = 20 marks)

**Part C (Short Essay Questions)**

*Answer any six questions.*

*Each question carries 5 marks.*

- Examine the different degrees of price discrimination.
- Examine the characteristics of kinked demand curve.

**Turn over**

27. What are the important sources of monopoly power ?
28. Discuss the marginal productivity theory of input demand.
29. What are the important features of monopolistic competition ?
30. Examine the factor market equilibrium with monopsony power.
31. Examine the use and purpose of Lerner index.
32. What are the measures to control monopoly power ?

(6 × 5 = 30 marks)

**Part D (Essay Questions)**

*Answer any two questions.*

*Each question carries 12 marks.*

33. Critically examine the Cournot's duopoly model.
34. Discuss the long run equilibrium of a firm in perfect competition.
35. Examine the process of price and output determination under monopolistic competition in short run and long run.
36. Derive a demand curve for labour in a perfectly competitive market and in an imperfect market

(2 × 12 = 24 marks)