B.A. (Honours) Examination, 2016
Semester – III
Economics
Course: H-5 (Core)
(Microeconomics-II)

Time: Three Hours **Full Marks: 40**

Questions are of value as indicated in the margin

Answer *any four* from the following

1. a) Diagrammatically explain how monopolistic exploitation of labor takes place in factor market.
   b) How does diversification in investment help the investors to avoid risk? 5+5

2. What are the characteristics of monopolistically competitive firm? Explain how long run adjustment takes place due to entry or exit of firms. 3+7

3. The market inverse demand for oil is $P = 100 - 2Q$. Total oil is supplied by two firms: I and II. The marginal cost of the firms are Rs 120 and Rs 200, respectively. Assume that neither firm has any fixed cost.
   a) Determine each firm's Cournot reaction curve and graph it.
   b) How much oil will each firm produce in Cournot equilibrium?
   c) What will the market price for oil be?

4. a) Determine equilibrium price in a dominant firm price leadership model of oligopoly.
   b) Why are collusions and cartels often unstable? 6+4

5. What are the reasons for atypical shape of the demand curve in Sweezy model of oligopoly? Draw the corresponding marginal revenue curve and explain why it has a discontinuous segment. 5+5

6. a) Examine whether the points on and off the contract curve are of same significance.
   b) Mathematically establish the pareto efficiency condition in consumption. 5+5

7. Write notes on ***any two***: 5+5
   a) Excess capacity in monopolistic competition
   b) Product exhaustion theorem
   c) Prisoners' dilemma
   d) Quasi-rent