

B.A. (Honours) Examination, 2018

Semester-III

Economics

**Course: H-5 (Core)
(Microeconomics-II)**

(For Back Candidates)

Time: Three Hours

Full Marks: 40

Questions are of value as indicated in the margin

Question No. **1 is compulsory**; Attempt another **three** from the rest.

1. (a) Prove that the slope of the marginal revenue curve is twice of that of the inverse demand curve.
(b) Explain why there is no unique supply curve in monopoly? 5+5
 2. Diagrammatically elucidate the long run equilibrium of a firm in a monopolistically competitive market. 10
 3. What do you mean by price discrimination? Use a suitable diagram to explain the phenomenon of third degree price discrimination. 3+7
 4. Consider a duopoly market where the demand curve is given by $P=120-Q$ and $Q = Q_1 + Q_2$. Firm 1 faces a constant marginal cost of $MC_1 = 20$ while that of firm 2 is $MC_2 = 40$. Calculate the output of each firm and price if they decide to follow Cournot mechanism. 10
 5. Distinguish between Cournot and Bertrand models of oligopoly. Check if equilibrium solutions in both the models are stable. 3+7
 6. Derive the demand curve for labor in case of short run production and where markets are characterized by perfect competition. Intuitively explain why individual labor supply curve is backward bending in nature. 5+5
 7. Write notes on (**any two**): 2×5
 - (a) Pareto optimality in consumption
 - (b) Stackelberg model of quantity leadership
 - (c) Prisoners dilemma
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