

CONFIDENTIAL

Name of Examination (Please tick, symbol is given)	:	MID		END	✓	SUPPLE	
Name of the College (Please tick, symbol is given)	:	SOE		SOB	✓	SOL	
Program/Course	:	BA(H) ECONOMICS-SPZ(EE)					
Semester	:	II					
Name of the Subject	:	Microeconomics II					
Subject Code	:	ECON1007					
Name of Question Paper Setter	:	Dr. Sushil Kumar Rai					
Employee Code	:	40001573					
Mobile & Extension	:	9950398466 & 2124					
Note: Please mention additional Stationery to be provided, during examination such as Table/Graph Sheet etc. else mention "NOT APPLICABLE":							
NOT APPLICABLE							
FOR SRE DEPARTMENT							
Date of Examination	:						
Time of Examination	:						
No. of Copies (for Print)	:						

Note: - Pl. start your question paper from next page



Roll No: -----

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination – May, 2018

Program/course: BA(H) ECONOMICS-SPZ(EE)

Semester: II

Subject: Microeconomics II

Max. Marks : 100

Code : ECON1007

Duration : 3 Hrs

No. of page/s: 4

Section-A

All the questions are compulsory in this section.

[10*2=20]

1. At the best, or optimum, short-run level of output, the firm will be -
 - (a) maximizing total profits,
 - (b) minimizing total losses,
 - (c) either maximizing total profits or minimizing total losses,
 - (d) maximizing profits per unit.
2. In monopolistic competition, we have-
 - (a) few firms selling a differentiated product,
 - (b) many firms selling a homogeneous product,
 - (c) few firms selling a homogeneous product,
 - (d) many firms selling a differentiated product.
3. When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve-
 - (a) always,
 - (b) never,
 - (c) sometimes,
 - (d) none of the above.
4. Which of the following most closely approximates definition of oligopoly-
 - (a) the cigarette industry,
 - (b) the barber shops in a city,
 - (c) the gasoline station in a city,
 - (d) wheat farmers in a state.

5. The centralized cartel-
 - (a) leads to the monopoly solution,
 - (b) behaves as the multiplant monopolist if it wants to minimize the total costs of production,
 - (c) is illegal in the US,
 - (d) all of the above.
6. With reference to the Cournot model, which of the following statements is false-
 - (a) the duopolists do not recognize their interdependence,
 - (b) each duopolist assumes the other will keep its quantity constant,
 - (c) each duopolist assumes the other will keep its price constant,
 - (d) The solution is stable.
7. If input A is the only variable input for a perfectly competitive firm in the factor market, the firm's demand curve for inputs A is given by its-
 - (a) VMP curve,
 - (b) MPP curve,
 - (c) MRC curve,
 - (d) none of the above.
8. If input A is the only variable input for an imperfect competitor firm in the factor market, the firm's demand curve for inputs A is given by its-
 - (a) VMP curve,
 - (b) MRP curve,
 - (c) MFC curve,
 - (d) none of the above.
9. The Lerner index equals-
 - (a) $(MC - P) / MC$,
 - (b) $(P - MC) / P$,
 - (c) $P / (MC - P)$,
 - (d) $MC / (MC - P)$.
10. If an oligopolist incur losses in the short-run, then in the long-run-
 - (a) the oligopolist will go out of business,
 - (b) the oligopolist will stay in business,

- (c) the oligopolist will break even,
(d) any of the above.

Section-B
Attempt all the questions.

[4*5=20]

11. Give two real-world examples of third degree price discrimination.
12. Why does the firm's VMP schedule for a factor decline after a point? Why are we interested in the declining portion of the VMP schedule of an input?
13. Distinguish between market demand curve and market share demand curve.
14. Why is the demand curve of the monopolistically competitive firm more elastic than that of a monopoly?

Section-C
Attempt all the questions.

[3*10=30]

15. Show that an equilibrium position is eventually reached in Cournot's duopoly model and each seller supplies 1/3 of the total market demand in equilibrium.
16. Distinguish between perfect competition and monopolistic competition.
17. Show that the supply curve for a competitive firm is the rising part of the MC curve.

Section-D
Attempt any two questions.

[2*15=30]

18. Suppose that the market demand is;

$$P = 200 - 0.5Q, \text{ Where, } Q = Q_1 + Q_2$$

and the two colluding firms have costs given by;

$$C_1 = 10Q_1, C_2 = 1/2Q^2$$

How would the central agency allocate the outputs to the two so as to maximize the joint profits? What would the respective profits be?

19. How does a rise in wage rate affect labour supply? Distinguish between income effect and substitution effect of rise in wage rate. How do they affect labour supply?
20. What are the different types of price leadership that may be established in oligopolistic market solution? Assuming that there are two firms producing homogeneous products, explain how price and output are determined where there is price leadership by:
(a) the lower cost firm, and (b) the dominant firm.