(2 Hours)   [Total Marks : 60

N.B. : (1) **All** questions are **compulsory**.
  (2) **Figures** to the right indicate **full** marks.
  (3) Draw neat diagrams wherever necessary.

1. a) Explain the theory of attributes in detail.   8
   b) Discuss changes in consumer's equilibrium due to changes in price of a   7
      commodity and derive the price consumption curve.

OR

   c) What is bandwagon effect ? Discuss how it is different from snob effect.   8
   d) Discuss the applications of elasticity of demand to economic issues.   7

2. a) Explain production function with two variable inputs and show economic   8
      region of production with the help of ridge lines.
   b) Bring out the relationship between AFC, AVC, ATC and MC with the   7
      help of a diagram.

OR

   c) Tangency between an Isoquant and an Isocost line indicates producer's   8
      equilibium. Explain
   d) i) Find out the total output with the help of following information   7
         $Q = 0.5X + 2Y + 40Z$.
         $X = 100$, $Y = 200$, and $Z = 200$
      ii) Also find out the change in total output if all the inputs are increased by
          2%.

3. a) What is market structure? Identify the major differences between perfect   8
      competition and imperfect competition.
   b) Explain with a suitable diagram how a dominant firm will decide the   7
      price and output under collusive oligopoly.

OR

   c) Will a monopolist remain in business in the short run if he is just covering   8
      his average cost? Explain with the help of a diagram.
   d) A and B are two touring foreigners who met at a railway station in   7
      India. They are caught by the police and taken to the local police station
      to be questioned separately. They are suspected of robbing local
      merchant. Each one of them told that if he confesses immediately, he
      will get only 6 months sentence. But each one of them is told separately
      that if he does not confess while the other confesses, he will get a
      sentence of 12 months. If neither of them confesses, each will be

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sentenced for 3 months on the basis of evidence with the police. A and B will not be allowed to communicate each other.

i) Write pay-off matix for the above case.

ii) Discuss dilemma of both suspects A and B.

4. a) **Choose the right option** 7

i) Human wants refer to all the goods and services individuals ....
   a) need   b) desire   c) have   d) purchase

ii) Total money expenses incurred by a firm in producing a commodity is called .... costs.
   a) Money   b) production   c) Trancformation   d) None of these

iii) .... efficiency occurs when good and services are distributed according to consumer's preferences.
   a) Technical   b) Allocative   c) Productive   d) None of these

iv) .... profit considers theoretical estimation of cost based on opportunity cost and value.
   a) Accounting   b) Economic   c) Business   d) Market

v) The goods having features of non-rival in consumption and non-excludability are called .... goods.
   a) Public   b) Private   c) merit   d) None of these

vi) State intervention is needed in the economy to ....
   a) improve economic efficiency   b) pursue social values of equity
   c) provide public and merit goods   d) all of the above.

vii) In the case of goods with .... externalities the firms produce too little of goods.
   a) Negative   b) positive   c) Neutral   d) zero

b) **Give precise meaning of the following** 8

i) Business economics

ii) Externality

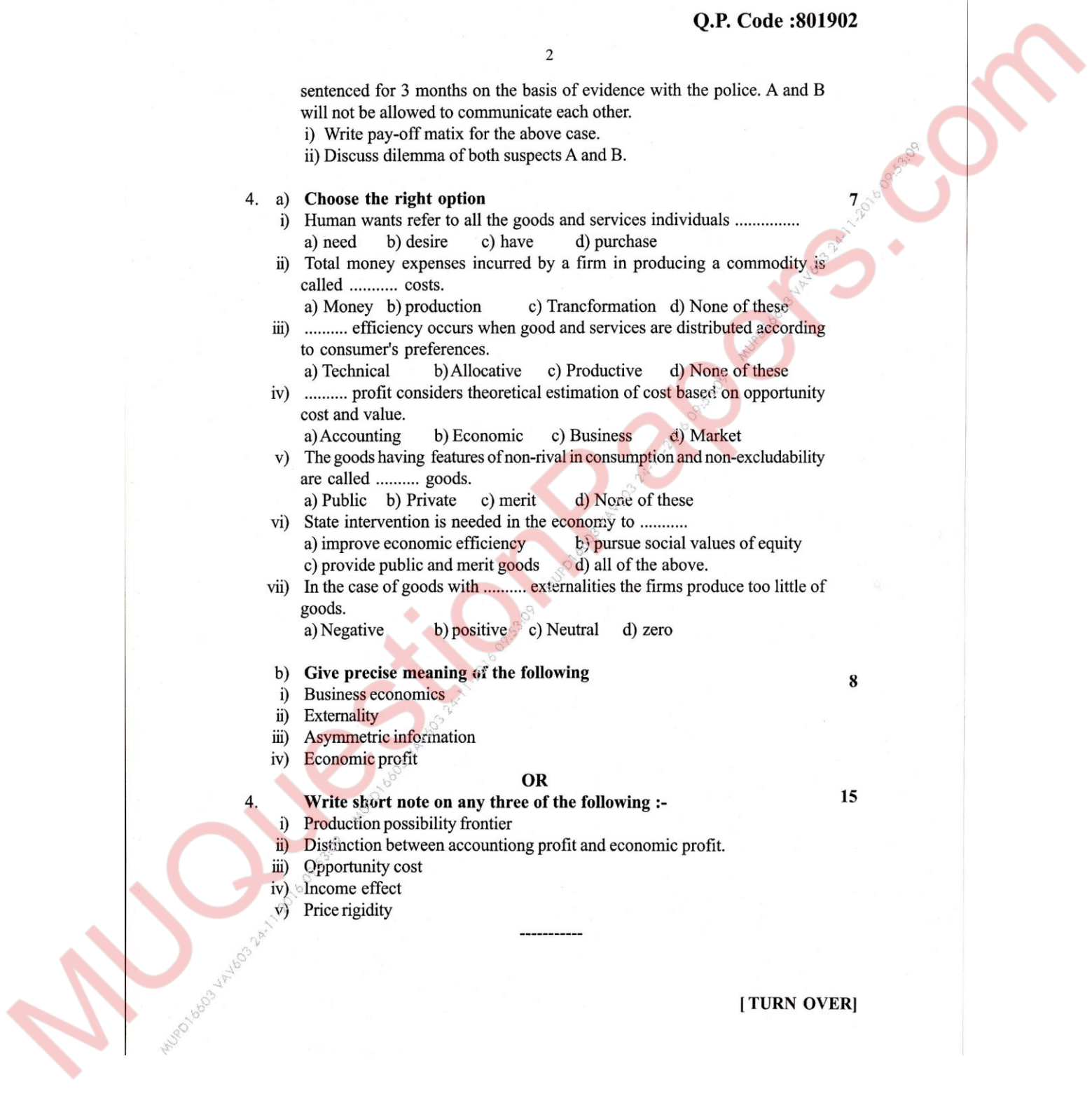iii) Asymmetric information

iv) Economic profit

OR

4.   **Write short note on any three of the following :-** 15

i) Production possibility frontier

ii) Distinction between accountiong profit and economic profit.

iii) Opportunity cost

iv) Income effect

v) Price rigidity

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