

RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

FIRST YEAR [BATCH 2017-20]

B.A./B.Sc. SECOND SEMESTER (January – June) 2018

Mid-Semester Examination, March 2018

Date : 14/03/2018

Time : 11 am – 1 pm

ECONOMICS (Honours)

Paper : II

Full Marks : 50

[Use a separate Answer Book for each group]

Group – A

1. Answer **any one** question : [1×15]
 - a) i) Explain the concept of 'Shut Down Point' in detail. [7]
ii) Also discuss the derivation of a firm's supply curve and market supply curve in a perfectly competitive market. [8]
 - b) i) Suppose a profit-maximizing monopolist is producing 800 units of output and is charging a price of Rs. 40 per unit. If the elasticity of demand is -2, find out the marginal cost of the last unit produced.
 - What is the firm's percentage mark-up of price over marginal cost?
 - Suppose the Average cost of the last unit produced is Rs. 15 and the firm's fixed cost is Rs. 2000. Find out the firm's profit. [4+3+3]
 - ii) Explain the notion of natural monopoly and show the effects of price regulation under natural monopoly. [5]
2. Answer **any two** questions : [2×5]
 - a) Can there be constant returns to scale in an industry with an upward sloping supply curve? Explain.
 - b) True or false : A firm should always produce at an output at which long-run average cost (LAC) is minimized.
 - c) Explain the concept of deadweight loss under monopoly.

Group – B

3. Answer **any five** questions : [5×5]
 - a) Explain, in brief, why the long run aggregate supply curve is positively sloped.
 - b) How, in the long run, will an increase in the government spending impact the level of output?
 - c) If the aggregate production function of the economy is $Y = K^{-6}L^{-4}$, find the steady state level of capital given the $MPC = .4$.
 - d) What is the importance of the concept of 'Golden Rule of Capital' in Solow's model? Does the Solow's model imply that the economy will always attain the golden rule? [3+2]
 - e) What, according to the Quantity Theory, will be the impact of an expansionary monetary policy in an economy?
 - f) Define Seigniorage. How does the process operate? [1+4]
 - g) How will the implication of Quantity Theory of money change if the increase in money supply is accompanied with an increase in the output level?