

Time: 3 Hrs

Marks: 100

Q. P. Code 63797

Q.1 Answer any two of the following

(a) Explain the meaning and features of monopoly

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Ans: Meaning - brief

- Features -
- (1) Single seller
 - (2) No close substitute
 - (3) No entry
 - (4) Downward sloping demand curve
 - (5) Control over price and supply
 - (6) Relative inelastic demand curve
 - (7) Firm and industry is same

(b) Discuss the price and output determination in long run

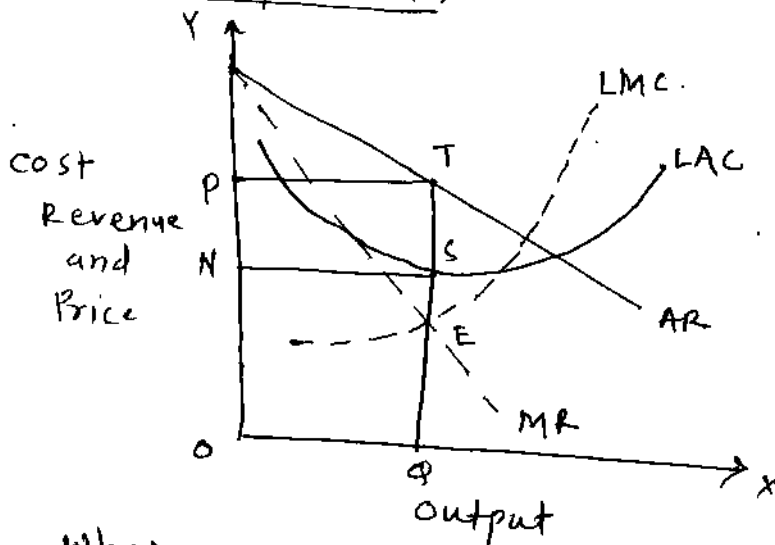
Ans: Brief explanation of

Demand curve: more elastic ($e > 1$)

supply curve - monopolist does not have a supply curve like perfectly competitive firm.

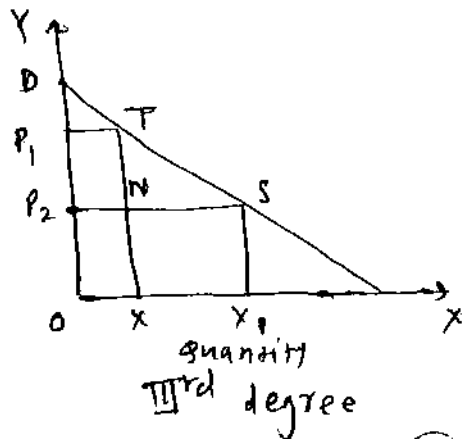
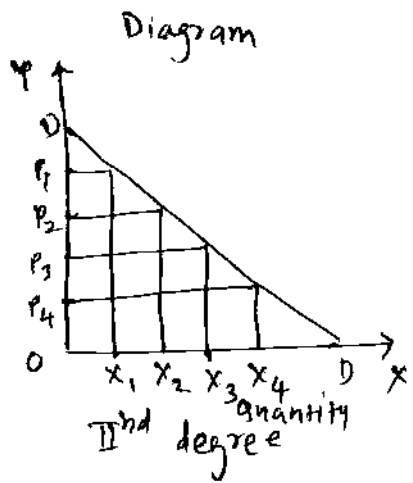
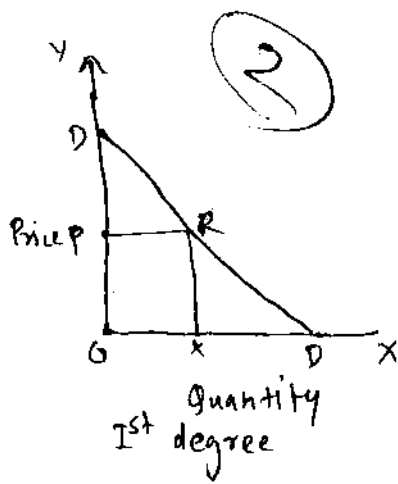
Price: $MC = MR$

Long run equilibrium



(c) What are the different degrees of price discrimination.

- Ans:
- (1) First degree price discrimination
 - (2) Second degree price discrimination
 - (3) Third degree price discrimination



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Q.2. Answer any two of the following

(a) Discuss the prisoner's dilemma in oligopoly

Ans: ~~write~~ brief explanation of prisoner's dilemma

Payoff Matrix of two prisoners

		B's strategy	
		No Confession	Confession
A's strategy	No Confession	A: 0, B: 0	A: 20, B: 0
	Confession	A: 0, B: 20	A: 10, B: 10

(b) write a note on extensive game

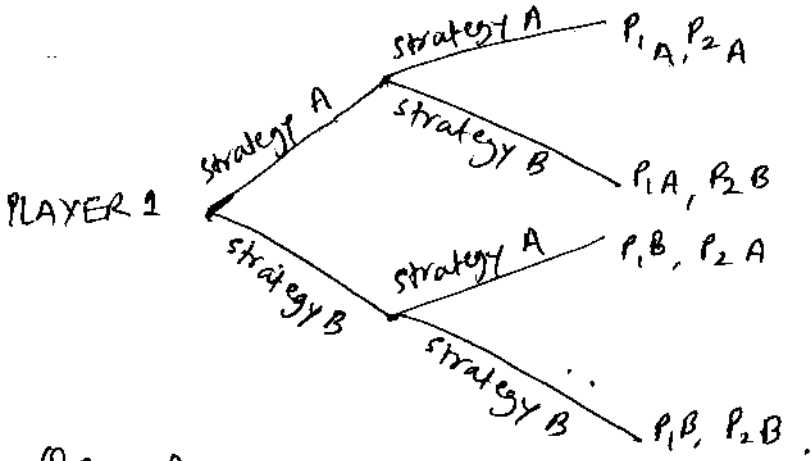
Ans: Extensive game is structured way to describe a game this was postulated by Neumann and Morgenstern, later refined by Kuhn.

There are three sub-games in this example

- (i) the entire game
- (ii) the subgame the wife chooses to watch TV
- (iii) the subgame when the wife chooses to go to shopping.

(c) Explain the game tree as a means of taking decisions of two rival firms

Ans: In game theory, the extensive form is way of describing a game using a game tree



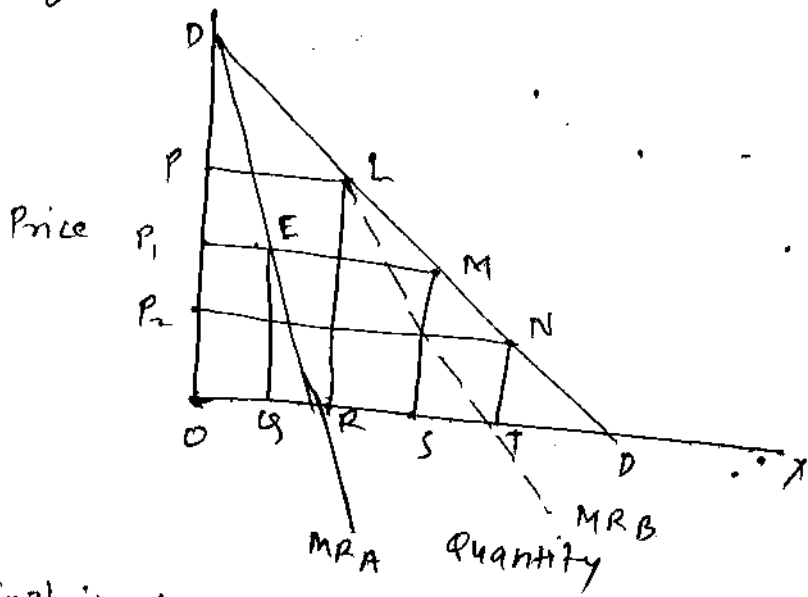
Q.3. Answer any two of the following (20)

(a) Write the features of oligopoly

Ans: Features - (i) few seller (ii) Homogenous or differentiated product
 (iii) Entry is free but difficult (iv) Interdependence
 (v) Uncertainty (vi) Indeterminateness

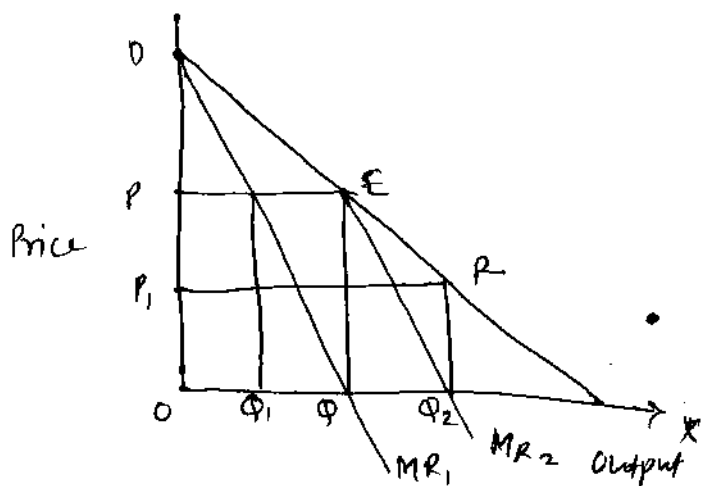
(b) Discuss the Cournot's Model

Ans: Assumptions
 Diagram



(c) Explain the Chamberlins oligopoly model.

Ans: Assumption
 Diagram

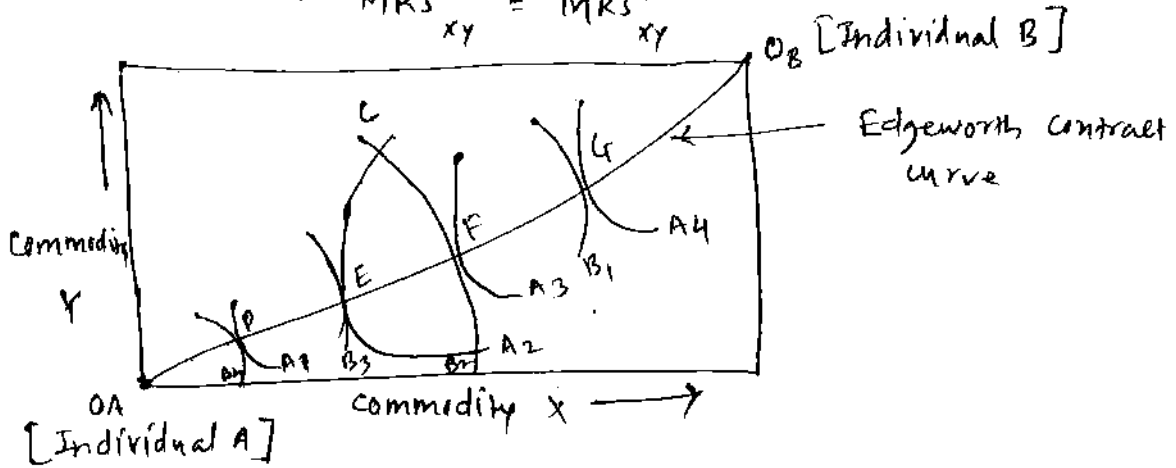


Q. 4. Answer any two of the following

Ans (i) Explain the Pareto optimality criterion

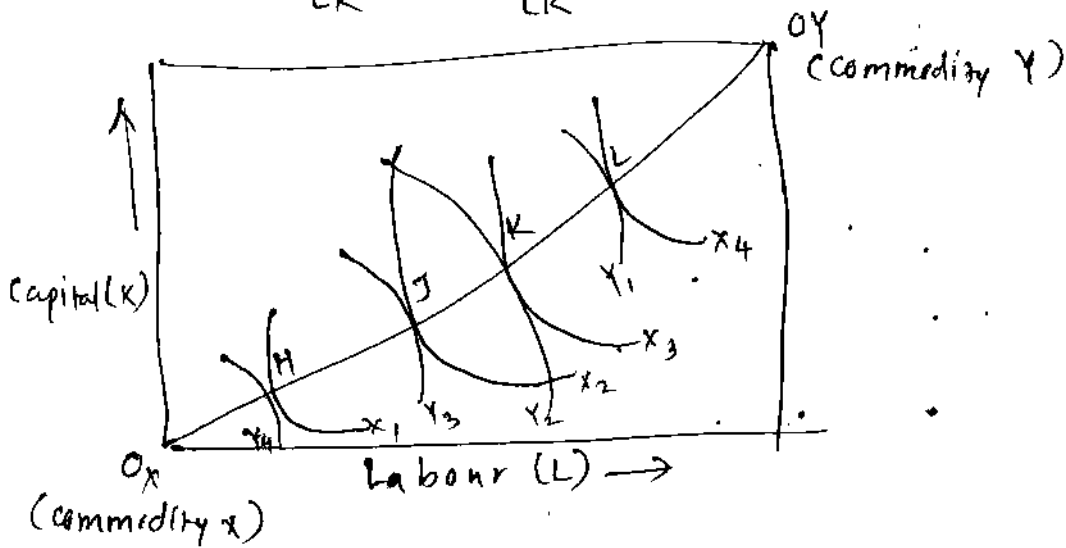
Ans: (i) Three conditions must be satisfied

(i) Efficiency in distribution of commodities amongst the consumer: $MRS_{xy}^A = MRS_{xy}^B$



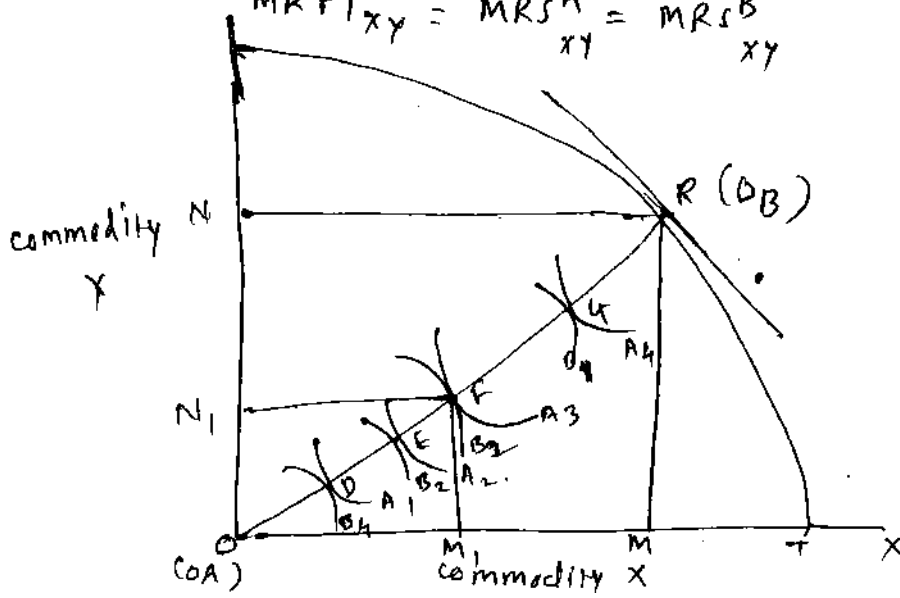
(ii) Efficiency in allocation of resources among the firms

$$MRTS_{LK}^X = MRTS_{LK}^Y$$



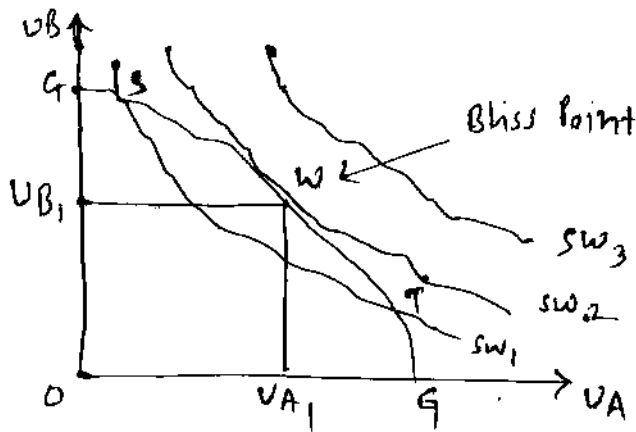
(iii) Efficiency in production and exchange

$$MRPT_{xy} = MRS_{xy}^A = MRS_{xy}^B$$



(b) Discuss the maximisation of social welfare with the help of utility possibility frontier

Ans:



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(c) Explain the Arrow's impossibility theorem.

Ans: Four condition

- (i) Transitivity
- (ii) Unanimity
- (iii) No dictators
- (iv) Independence of irrelevant alternatives

Q.5. Write short notes (Any two)

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(a) Various sources of monopoly

- Ans:
- (i) economies of scale & scope
 - (ii) control over inputs
 - (iii) Technology
 - (iv) Intellectual Property Rights
 - (v) Cartel information
 - (vi) Price Policy

(b) Write a note on battle of sexes game

Ans:

		Wife	
		Go shopping	Watch TV
Husband	Go shopping	1, 2	0, 0
	Watch TV	0, 0	2, 1

(c) Difference between Collusive and non collusive Oligopoly

- Ans:
- (i) co-operate - Donot co-operate
 - (ii) Same price - Price differa
 - (iii) group profit - Individual profit
 - (iv) Price leadership - Rigid price
 - (v) No Interdependence - Interdependence
 - (vi) Price stable - Price fluctuate
 - (vii) Entry is restricted - Possible but difficult
 - (viii) cartel - No cartel information

d) Kinked demand curve
Firm's Demand curves

Ans:

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Price
and
cost

