

Gurudas College

Internal Examination 2021

Semester IV

Paper: CC8- Intermediate Microeconomics II

1. Answer any four questions.

1x4

- a. A profit-maximizing monopoly will produce that output for which
  - i. marginal revenue equals price
  - ii. average cost is minimized
  - iii. marginal cost is minimized
  - iv. marginal cost equals marginal revenue
  
- b. Which one of the following is **not** a feature of monopolistic competition
  - i. Goods are close substitutes but slightly differentiated
  - ii. Large number of buyers and sellers
  - iii. Sellers are price makers
  - iv. No free entry or exit of firms
  
- c. If the demand curve is kinked the MR curve will be
  - i. Kinked
  - ii. U-shaped
  - iii. Downward sloping straight line
  - iv. Discontinuous
  
- d. In Cournot's costless duopoly model with linear demand curve the share of each seller in total market demand is
  - i. 1/2 of competitive output
  - ii. 1/4 of competitive output
  - iii. 1/3 of competitive output
  - iv. None of the above
  
- e. In Bertrand's Duopoly model the iso-profit curve of any seller is the locus of different combinations of
  - i. Output of two sellers
  - ii. Prices of two sellers
  - iii. Profit of two sellers

iv. Revenue of two sellers

- f. If  $MRP < P$  of the factor, firm should hire
  - i. less factors
  - ii. more factors
  - iii. the same factors
  - iv. All of the above

2. Answer any two questions

2x3

- a. Why does the monopolist produce in the elastic region of the demand curve?
- b. Distinguish between price competition and non-price competition.
- c. In the Edgeworth production box diagram, what conditions must hold for allocation to be on the production contract curve?