Course: Microeconomics-II   Semester   : III
Program: BA Economics   Duration   : 03 hrs.
Course Code: : ECON 1007   Max. Marks: 100

Q.No	Section A Note: Attempt All questions.	Marks	COs

Q1	Which of the following is different about perfect competition and monopolistic competition?
	   A. Firms in monopolistic competition compete on their product's price as well as its quality and marketing.
	   B. In monopolistic competition, entry into the industry is unblocked.
	   C. Perfect competition has a large number of independently acting sellers.
	   D. Only firms in monopolistic competition can earn an economic profit in the short run.
		2	CO1

Q2	Which of the following market types has the fewest number of firms?
	   A. perfect competition
	   B. monopoly
	   C. monopolistic competition
	   D. oligopoly
		2	CO1

Q3	Whose name is associated with the "Uncertainty-bearing theory of profit"?
	   A. J. Schumpeter
	   B. F.H. Knight
	   C. J.B. Clarke
	   D. F.W. Walker
		2	CO1

Q4	Which of the following statements about opportunity cost is TRUE?
	I. Opportunity cost is equal to implicit costs plus explicit costs.
	II. Opportunity cost only measures direct monetary costs.
	III. Opportunity cost accounts for alternative uses of resources such as time and money.
	   A. I, II and III.
	   B. I.
	   C. III only.
	   D. I and III only.
		2	CO1

Q5	All points on the contract curve
	   A. are Pareto improving.
	   B. do not maximize social welfare.
	   C. are politically attainable.
	   D. are Pareto efficient.
		2	CO1

Q6	A model of game theory of oligopoly is known as the
	   A. Jailhouse sentence
	   B. Jury box
	   C. prisoner's dilemma
	   D. Monopoly cell
		2	CO1

Q7	Which of the following is called as the neo-clasical theory of interest?
	   A. Keynesian theory
	   B. Liquidity preference theory
		2	CO1

			Marks	COs
	C. time preference theory D. Loanable funds theory			

Q8	According to modern theory of rent, rent accrues to
	   A. Any factor
	   B. Capital only
	   C. Land only
	   D. Labour only
			2	CO1

Q9	Quasi-rent is a
	   A. Short period phenomenon.
	   B. Long run phenomenon.
	   C. Time phenomenon.
	   D. None.
			2	CO1

Q10	Suppose the total endowments of two goods are 10 and 50. The perimeter of the Edgeworth box will be
	   A. 10
	   B. 50
	   C. 120
	   D. 500
			2	CO1

	Section B **Note: Attempt All questions.**		**Marks**	**COs**
Q1	Please list the major factors influencing wage differentials.		5	CO2
Q2	According to Keynes's Liquidity Preference Theory of Interest, the interest rate is determined by the supply and demand for money. Please explain three motives of desire of liquidity from the money demand side.		5	CO2
Q3	What is meant by the "user cost" of producing an exhaustible resource? Why does price minus extraction cost rise at the rate of interest in a competitive market for an exhaustible resource?		5	CO2
Q4	Suppose the interest rate is 10 percent. If $100 is invested at this rate today, how much will it be worth after one year? After two years? After five years?		5	CO2
	Section C **Note: Attempt all questions.**		**Marks**	**COs**
Q1	A consumer faces the following decision: She can buy a computer for $1000 and $10 per month for Internet access for three years, or she can receive a $400 rebate on the computer (so that its cost is $600) but agree to pay $25 per month for three years for Internet access. For simplification, assume that the consumer pays the access fees yearly (i.e., $10 per month = $120 per year). We have the formula to convert the future value (FV) into present value (PV): $$PV = \frac{FV}{(1+r)^n}$$ a. What should the consumer do if the interest rate is 3 percent? b. What if the interest rate is 17 percent?		10	CO3
Q2	HHI is used in the United States by the Justice Department and the Federal Trade Commission, whose mission is to try to ensure that there is adequate competition in an industry by prosecuting price-fixing, breaking up economically inefficient monopolies, and disallowing mergers between firms when it's believed that the merger will reduce competition. What is HHI? Please use HHI to determine market competitiveness in the industries in the table. (such as close to monopoly, oligopoly, monopolistic competition, perfect market etc.)		10	CO3

TABLE		
Industry	**HHI**	**Largest firms**
Desktop computer OS	8 357	Microsoft Windows (91%), Apple iOS (7.4%)
Mobile OS	4 286	Google Android (52%), Apple iOS (46%)
Desktop internet browser	3 613	MS Explorer (49%), Google Chrome (32%), Firefox (12%), Apple Safari (4.3%)
Mobile internet browser	2 783	Apple Safari (41%), Google Android/Chrome (33%), Opera (6.4%)
Cell phone service providers	2 792	Rogers (32%), Telus (30%), Bell (29%)
Internet service providers	1 152	Bell (23%), Rogers (15%), Shaw (13%), Telus (11%), Videotron (10%), Cogeco (5%)

Data from: Canadian Media Concentration Research Project (www.cmcrp.org)
Note: Percentages indicate company's market share.

Q3	What are the general equilibrium analysis and partial equilibrium analysis? Using general equilibrium analysis, and taking into account feedback effects, please analyze the following event. The effects of increased taxes on airline tickets on travel to major tourist destinations such as Florida and California and on the hotel rooms in those destinations. (Hints: complement here)	10	CO3

	Section D		
	Note: Attempt all question.	**Marks**	**COs**
Q1	From your perspective, which theory of profit (among five distinctive profit theories we learnt) is most acceptable in the real business world? Why?	15	CO4
Q2	What is the welfare economics? Do you think this studying subject is more critical in nowadays (inequality worsen)? Why? Please examine with one particular country or a group of country (such as undeveloped countries or developed countries).	15	CO4