

RANJANA ROY.

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B. Com. SEM-IV (H2G) 2020 (Model Question)

Sub: Microeconomics II

Indian Economy (GE 4.1 Chg.)

Micro Economics II (M-II)

Group A

1 mark question

- ① If the price elasticity of demand is greater than 1, a monopoly's
- ✓ (a) Total Revenue increases when the firm lowers its prices
 - (b) Total Revenue decreases when the firm lowers its prices
 - (c) Marginal Revenue is negative
 - (d) Marginal Revenue is zero
- ② Monopoly equilibrium is possible when:
- (a) $e = 0$ (b) $e > 1$ (c) $e < 1$ (d) $e \leq 1$
- ③ When the total revenue of monopoly firm is maximum, the marginal revenue is:
- ✓ (a) positive (b) Negative (c) zero (d) None
- ④ The condition of equilibrium of price discriminating monopoly is/are
- ✓ (a) $MR_1 = MR_2 = AMR = MC$ and MC cut the AMR curve from below
 - (b) $AMR = MC$ and MC curve cut the AMR curve from above.
 - (c) $MR_1 > MR_2 > MC$ and MC curve not cut AMR curve
 - (d) None
- ⑤ In the Kinked Demand curve theory it is assumed that
- (a) an increase in price by the firm is not followed by others
 - ✓ (b) an increase in price is not followed by others
 - (c) a decrease in price by the firm is not followed by others
 - (d) firms collude to fix the price
- ⑥ Economic rent is the income over and above
- (a) AC (b) factor income (c) MC (d) opportunity cost

- 7 According to Keynes interest is determined on the basis of
- (a) Liquidity preference and marginal efficiency of new investment
 - (b) Liquidity preference and supply of money
 - (c) Marginal efficiency of new investment only
 - (d) Marginal efficiency of new investment and marginal productivity of Capital

- 8 Supply curve of labour is —
- (a) Backward bending
 - (b) Straight line
 - (c) Downward sloping
 - (d) Upward sloping

- 9 An increase in wage rate:
- (a) will usually lead to more people employed
 - (b) will decrease total earnings of employees if the demand for labour is wage elastic
 - (c) is illegal in a free market
 - (d) will cause a shift in the demand for labour

- 10 According to Modern Theory Rent, Surplus income or Rent refers to,
- (a) Excess of Actual earnings over minimum necessary earnings
 - (b) Excess of Actual Rent of superior land over rent of marginal land
 - (c) Both (a) and (b)
 - (d) None

2 marks question Group B.

- 11 When demand for monopoly's product is — then MR is positive and when demand for monopoly product is — then MR is negative
- (a) elastic, inelastic
 - (b) inelastic, elastic
 - (c) positive, negative
 - (d) inelastic, unit elasticity

- 12 The condition of price discrimination is:
- (i) Reputation of business
 - (ii) Government intervention
 - (iii) Market segmentation
 - (iv) Differences in the elasticity of demand
- (a) (i) & (iii) (b) (ii) & (iv) (c) (iii) & (iv) (d) (i) & (ii)

- 13 Which of the following is the features of imperfect competition?
- (i) Non-price competition
 - (ii) Price taker
 - (iii) Advertisement & Propaganda
 - (iv) Horizontal demand curve
- (a) (i) & (iii)