Time: 3 Hours Marks: 100

Notice: 1) All Questions are compulsory.
2) Each question carries equal marks.
3) Draw a neat diagram wherever necessary.

Q.1. Attempt ANY TWO of the following questions. **(20)**

A. Explain the Walrasian General Equilibrium Model.

B. Write the Pareto Optimality Condition of Social Welfare.

C. Examine Arrow's Impossibility Theorem.

Q.2. Attempt ANY TWO of the following questions. **(20)**

A. Write the features of Monopoly.

B. Explain the equilibrium under the discriminating Monopoly.

C. Discuss Chamberlin's Alternative Approach.

Q.3. Attempt ANY TWO of the following questions. **(20)**

A. Explain the Cournot Model of the duopoly market.

B. Write the features of the Oligopoly Market.

C. Write a note on the Prisoner's Dilemma.

Q.4. Attempt ANY TWO of the following questions. **(20)**

A. Explain the theory of Asymmetric Information.

B. Discuss the problem of Moral Hazard.

C. Evaluate Principal Agent Problem.

Q.5. Write explanatory notes on ANY TWO of the following. **(20)**

A. Perfect Competition and Pareto Optimality

B. Degrees of price discrimination under a Monopoly

C. Kinked Demand Curve Model

D. The Market for Lemons

OR

Q.5. Choose the correct option of the following. **(20)**

1. **What does the concept of general equilibrium in economics refer to?**
   A) The equilibrium in one market
   B) The equilibrium in all markets simultaneously
   C) A situation where supply exceeds demand
   D) A state of permanent disequilibrium

2. In Walrasian General Equilibrium, what is assumed about the preferences of individuals?
A) They are constant
B) They are homogeneous
C) They are complete and transitive
D) They are irrational

3. Pareto Optimality is achieved when -------
A) It is impossible to make anyone better off without making someone else worse off
B) Everyone is equally satisfied
C) There is only one producer in the market
D) Total income is maximized

4. The conditions for Pareto Optimality include --------
A) Equal distribution of resources
B) Marginal cost equals marginal revenue
C) Marginal rate of substitution equals the marginal rate of transformation
D) Market price exceeds cost of production

5. Arrow's Impossibility Theorem states that ------
A) No social welfare function can satisfy all desirable conditions simultaneously
B) It is impossible to reach equilibrium in a free market
C) Democracy always leads to the best social outcome
D) Perfect competition is always Pareto-efficient

6. What is the key characteristic of a monopoly market?
A) Many buyers and many sellers
B) One seller and many buyers
C) Many sellers and one buyer
D) Free entry and exit of firms

7. Price discrimination occurs when -------
A) A firm charges different prices for the same product to different consumers
B) A firm sets the same price for all consumers
C) A firm offers discounts to everyone
D) Prices are regulated by the government

8. Under price discrimination, a monopolist reaches equilibrium when:
A) Marginal cost equals price in each market
B) Marginal revenue is the same in each market
C) Marginal revenue equals marginal cost in each market
D) Prices are the same in all markets

9. Which of the following is a common method to regulate monopolies?
A) Price fixing by the firm
B) Government-imposed price ceilings
C) Encouraging barriers to entry
D) Allowing monopolies to self-regulate

10. Under monopolistic competition, equilibrium is reached when -------
A) Marginal cost equals marginal revenue, and price equals average cost
B) Price equals marginal cost
C) Firms operate at full capacity
D) All firms produce homogeneous goods

11. In the Cournot model, each firm assumes that --------
A) The competitor will change its output
B) The competitor will keep its output constant
C) Prices are fixed
D) Both firms collude to maximize profit

12. The kinked demand curve theory explains--------
A) Price flexibility in an oligopolistic market
B) Why prices are rigid in an oligopolistic market
C) How firms collude to set prices
D) Perfect competition among firms

13. Collusive oligopoly occurs when-------
A) Firms in an oligopoly independently decide their prices
B) Firms cooperate to set prices or output levels
C) Firms compete aggressively to maximize market share
D) There are no barriers to entry

14. In a market-sharing cartel, firms----------
A) Agree to share the market by setting identical prices
B) Agree to produce the same quantity of goods
C) Divide the market based on geographic areas or customer groups
D) Always cheat on the agreement

15. A Nash Equilibrium occurs when--------
A) Each player chooses their strategy without considering the other player's strategy
B) Players choose their best response given the strategies of other players
C) Firms collude to set prices
D) One firm becomes the price leade

16. The economics of search refers to ---------

A) The cost of finding the lowest price

B) The process by which consumers gather information to make decisions

C) The study of how firms set prices

D) The total cost of production

17. Asymmetric information occurs when -------

A) Both buyers and sellers have the same information

B) One party in a transaction has more or better information than the other

C) Prices are rigid and do not reflect true market conditions

D) There are no barriers to entry into the market

18. Adverse selection is most likely to occur in which of the following markets?

A) Insurance

B) Agricultural products

C) Perfect competition

D) Commodities

19. Moral hazard occurs when -------

A) One party in a contract can take hidden actions that affect the other party's payoff

B) Consumers search for information in a market with many products

C) Sellers have more information than buyers

D) Firms collude to set higher prices

20. An example of market signaling is ---------

A) A seller offering a warranty to indicate the product's quality

B) Buyers refusing to pay high prices for unknown products

C) Firms reducing prices to increase sales

D) Governments setting price ceilings on products

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