

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATION- 2021

B.Tech III Semester (Old scheme)

COURSE CODE:10B11PD311

MAX. MARKS: 35

COURSE NAME: Managerial Economics

COURSE CREDITS: 03

MAX. TIME: 2 Hours

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*Note: All questions are compulsory. Carrying of mobile phone during examinations will be treated as case of unfair means. All questions carry equal marks.*

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Q1. a) What are the market conditions that characterize a Perfectly Competitive market?

How does this market structure ensure allocative and productive efficiency?

b) The industry demand ( $Q_d$ ) and supply ( $Q_s$ ) curves in a perfectly competitive industry are as given below.  $Q_d = 125 - 2.5P$  and  $Q_s = -175 + 12.5P$ . Determine the equilibrium quantity and price in this industry. Show the consumer surplus in this industry graphically.

Q2. Monopoly market has the maximum benefits for the seller. What are the losses created by this kind of a market structure for the economy or the seller?

Q3. There are two firms with identical cost functions in an industry. The market demand is given by  $P = 30 - Q$  and  $Q = Q_1 + Q_2$ . Find the reaction curves of each firm and the Cournot equilibrium for this industry.

Q4. Explain the kinked demand model of oligopoly. Also mention two limitations of this model.

Q5. A monopolist faces a demand function,  $P=80-4Q$  and a total cost function  $10Q+Q^2$ . Calculate the profit maximizing price and quantity and also determine the dead weight loss.

Q6. In a monopolistically competitive industry, why do sellers have to deal with zero economic profit in the long run while they make profit in the short run?

Q7. Write short notes on any two of the following. (80-100 words)

- a) Delphi method b) Macroeconomics c) Coefficient of determination d) Income elasticity