

International Islamic University Chittagong

Department of Economics & Banking

Semester End Examination, Spring-2023

Program: BSS (Hons) in Economics & Banking

Course Code: ECON-2302

Course Title: Intermediate Microeconomics

Time: 2 hours 30 minutes

Full Marks: 50

[Answer all of the following questions. Figures in the right margin indicate full marks.]

QN	Description of Questions	Marks	CLOs & PLOs	Cognitive learning
1(a).	Define Monopoly. How does you think a firm emerge as a sole producer of a product?	3		Remember
1(b).	“AR and MR have the identical intercept but the slope of MR is two times that of AR”-Prove the statement.	3		Evaluate
			CLO 4,PLO2	
1(c)	We know that monopolist attains equilibrium by maximizing profit. What are the conditions of profit maximization? Elucidate monopolist’s equilibrium with economic profit.	4		Analyze
2(a).	Explain the following with appropriate graph and calculations: i) Long-run equilibrium of a monopolist with more than optimum plant. ii) Supply curve of a monopolist.	3+3		Analyze
2(b).	Given the demand function, $P=100-2Q$ i. Find elasticity as a function of quantity. ii. Find marginal revenue iii. Show that inelastic demand corresponds to negative marginal revenue.	1+1+2	CLO4,PLO2	Remember
3(a).	Which of the following is a similarity between monopoly and monopolistic competition? i) Both have a few buyers. ii) Both have barriers to entry. iii) Both can charge any price. iv) Both have excess capacity in the long run. v) Both have a single firm.	3		Remember
3(b).	Consider a situation where a firm under monopolistic competition is earning supernormal profit initially. Being not satisfied by the amount of profit if wants to reduce price mistakenly assuming that other firms will not do the same. Unfortunately all the firms take the same initiative to earn extra profit and hence they engage in a price competition. Now draw a graph demonstrating the situation and identify the final equilibrium .	7	CLO4,PLO2	Analyze

OR

3(a).	Which of the following are true? i) Price discrimination refers to the sale of <i>differentiated</i> product at different prices. ii) In second degree price discrimination same customer purchases several units at a higher price and the subsequent units at a lower price. iii) In first degree price discrimination the consumer is left with enough consumer surplus. iv) Profit maximizing equilibrium decision would be made in the elastic range of the demand curve.	3	CLO4,PLO2	Remember
3(b).	Compared to monopoly, perfectly competitive market structure yields higher output at a lower price. Amount of social welfare, measured as the sum of consumer surplus and producer surplus, squeezes under monopoly than perfect competition. The amount that is lost from the social welfare is called the dead-weight loss. Deduce the explanation of calculating dead-weight loss.	7		Analyze
4(a).	Consider a situation where a firm under monopolistic competition is earning supernormal profit initially. Being lured by the amount of profit other firms want to entry into the business. Now draw a graph demonstrating the situation and identify the final equilibrium.	5	CLO4,PLO2	Analyze
4(b).	Define excess capacity. What does justify Chamberline's proposition of nonexistence of excess capacity?	5		Evaluate
OR				
4(a).	Why do you think the development of Cournot model took place and who did that? Give justification of that developed model.	5		Analyze
4(b).	Firms in the group do agree to follow the price leadership under a dominant firm. How can you prove this statement under collusive oligopoly?	5	CLO4,PLO2	Evaluate
5(a).	"Kinked demand model is not a price determination model but once determined remain constant"- Explain this distinguishing feature of kinked demand model.	4		Create
5(b).	What is market sharing cartel?	2	CLO4,PLO2	Remember
5(c).	Prove that the market with high price elasticity gives the opportunity to charge low price and with low price elasticity high price.	4		Evaluate