

ECO404 Final Paper July 16th, 2012.

The paper had 56 MCQs, 4 short Questions of 3 marks each and 4 Short Questions of 5 marks each...!!! Total Marks 88...!!!

- Q1. What is Expansion Path and what are the points on Expansion path? (3 Marks)**
- Q2. Differentiate between Centralized Collation and Market Based Collation? (3 Marks)**
- Q3. What is the criticism on Maris Model of growth? (3 Marks)**
- Q4. Differentiate and discuss Risk and Uncertainty? (3 Marks)**
- Q5. Consider the following information of the firm:**
Total fixed cost = Rs.250
Price level = Rs. 15
Average variable cost = Rs. 5
Target profit level = Rs. 150
From this information, calculate the break even level of output and target level of output? (5 Marks)
- Q6. What are the Assumptions of Neo-Classical Theory? (5 Marks)**
- Q7. Why decision making is complicated in oligopoly as compared to other market structures? Discuss? (5 Marks)**
- Q8. Differentiate Cost of Capital and Cost of Debt? (5 Marks)**

Solution to Q5.

(1)

$$\begin{aligned}
 Q_B &= \frac{\text{TFC}}{P - AVC} \\
 &= \frac{250}{15 - 5} \\
 &= \mathbf{25}
 \end{aligned}$$

(2)

$$\begin{aligned}
 Q_T &= \frac{\text{TFC} + \Pi_T}{P - AVC} \\
 &= \frac{250 + 150}{15 - 5} \\
 &= \mathbf{40}
 \end{aligned}$$

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- Q1. Differentiate between Pure and Differentiated oligopoly? (3 Marks)
- Q2. Calculate profit Function following data given? (3 Marks)
 $Q_d = 120 - 15p$ and $P = 20 - 0.5Q$
 $TC = 50 + 3Q$
 Define Investment Opportunity Schedule and Marginal Cost of Capital? (3 Marks)
- Q3. Average cost/unit of the firm in 2009 was 500 and 460 in 2010. Find Learning Rate? (3 Marks)
- Q4. Write characteristics of Stachelberg Oligopoly model? (5 Marks)
- Q5. Why firms produce more than one product? (5 Marks)
- Q6. Data was provided: (5 Marks)

	Probability	Cash Flow
Boom	0.25	500
Normal	.050	400
Recession	0.25	300

- a.) Find Expected Value of Firm?
- b.) Find Standard Deviation?
- Q7. Given: $Z = f(l, k) + \lambda (c^* - Wl + rk)$ Find Partial Derivative of L, K, λ with respect to Z. (5 Marks)