

①
1. / module I

① P. Code :- 63799

a) Sources of Monopoly

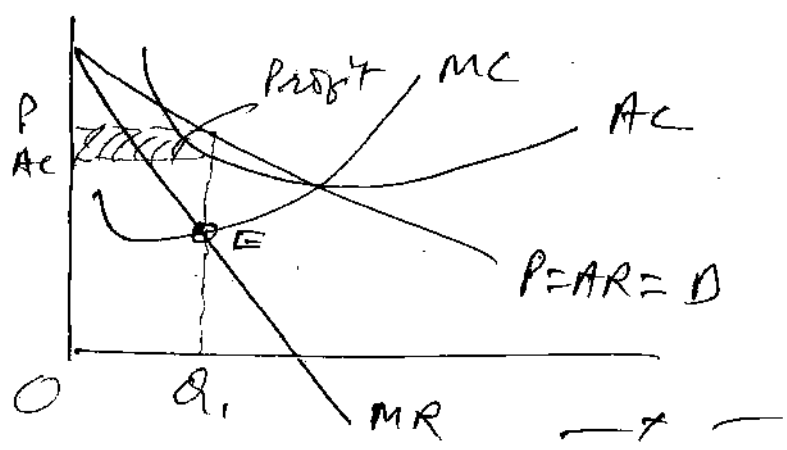
- Ans! ① Economies of scale, ② location, ③ Sunk costs, ④ Restricted ownership of raw materials & inputs, ⑤ Government restrictions, ⑥ Natural sources

→
b) Profit Maximising monopoly (Price, Output & Profit Determination)

Ans:- Short run :- ① Loss, ② Profit, ③ Normal Profit.

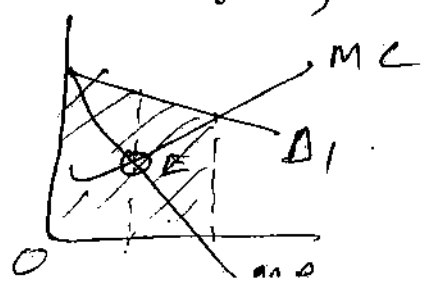
Long run :- ④ Normal Profit

$$\pi = TR - TC$$



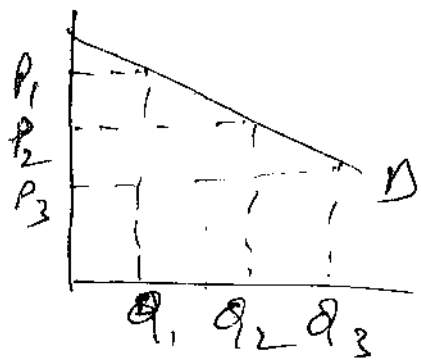
c) Price Discrimination! First, second & third degree

Ans! - ① First Degree: rare case, minimum price charged, no consumer surplus



(2)

② Second Degree, lower consumer surplus
 more than two levels of prices, realistic
 e.g. MSEB, MGL, MTNL, Railway



③ Third Degree most common & realistic
 as per demand elasticity, different
 prices in different market.

Q.5

a) Public Policy Towards Monopoly

Ans! Control monopoly activities,
 e.g. MRTP 1970s, Competition Commission 2002

Q.2 / Module II

a) Elements of Game Theory

Ans! - ① Two person, ② Zero sum & non
 zero sum game, ③ Strategies, ④ Dominant
 strategies, ⑤ Dominated strategies, ⑥ Game
 matrix, ⑦ Value of Game

03

5

6) Prisoner's Dilemma

Ans! Sub optimal solution

e.g.

Prisoner I

		Accept	Don't Accept
		Accept	10, 10
Prisoner II	Don't Accept	12, 2	0, 0

e.g. of cartel & Prisoner's dilemma
Coke & Pepsi

c) Dominant Strategy Equilibrium

Ans give example like above

d) Battle of Sexes

Ans! give example

		Men	
		Cricket	Movie
Women	Cricket	0, 10	10, 0
	Movie	10, 12	10, 2

6) Nash Equilibrium

Ans Stable Equilibrium, acceptable to both players, give example

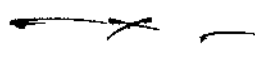
		High Price low P	
		High Price	8, 24
Low Price	High Price	20, 20	0, 0
	Low Price	22, 10	0, 0

Q.5

09

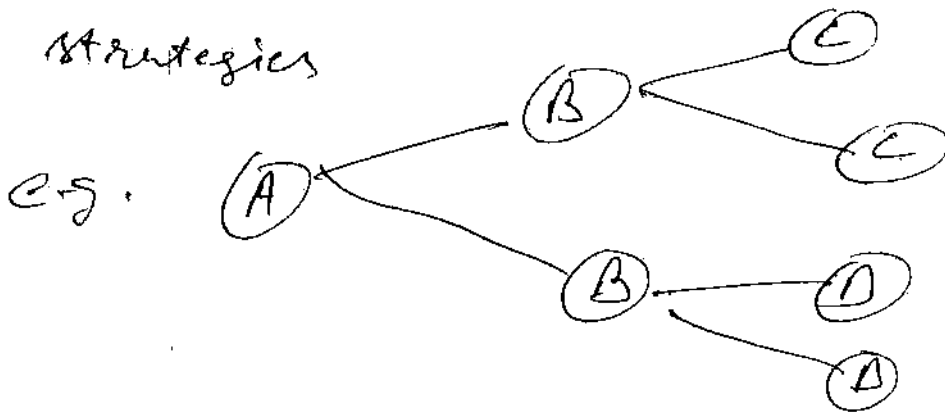
b) Extensive form game

Ans: More than two players, Game Tree



Q.5 b) Game Tree

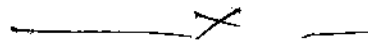
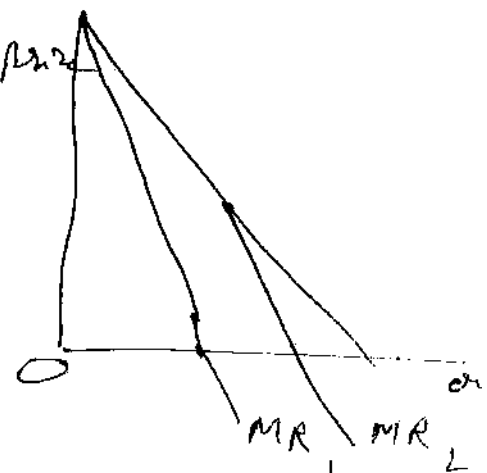
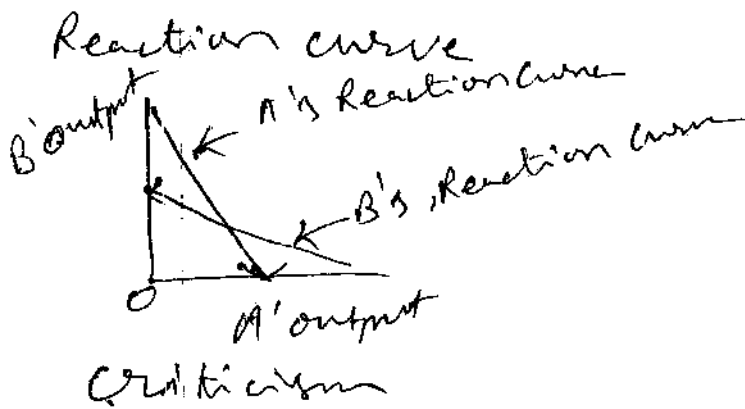
Ans: More than two players, multiple strategies



Q.3 / Module III

a) Cournot Duopoly Model

Ans: Assumptions, Model

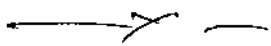
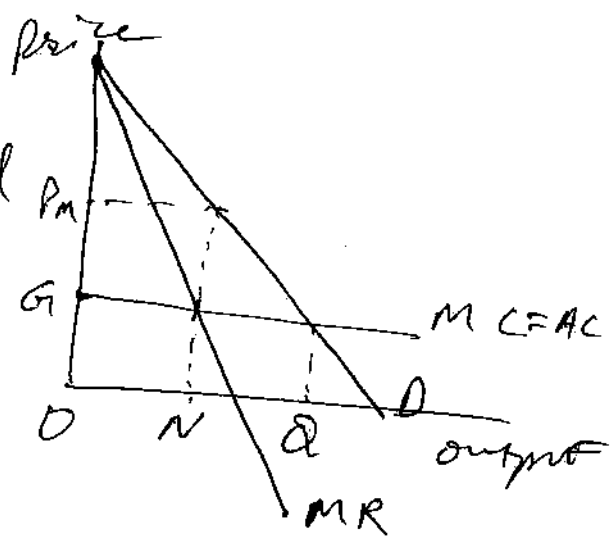


Q.3 / Module III

b) Bertrand Model

Ans: Assumptions, model

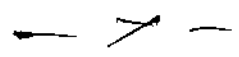
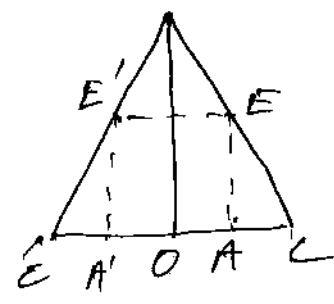
Criticism



c) Edgeworth Model

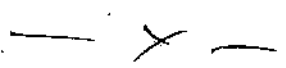
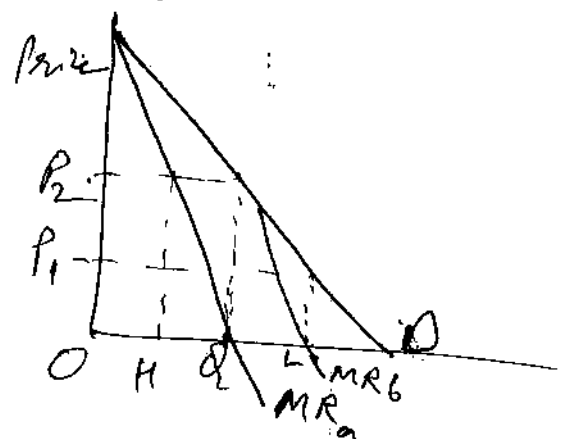
Ans: Assumptions, model

Criticism



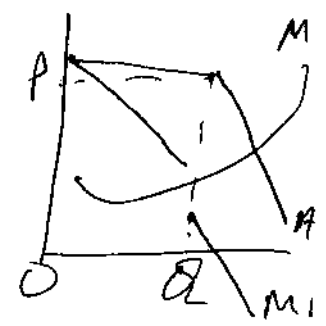
d) Chamberlin Model

Ans: Assumptions, model, stable joint profit-maxi, criticism



e) Kinked Demand Curve Model

Ans: Assumptions, model, price rigidity, criticism



Q.5 c) Collusion & Cartels

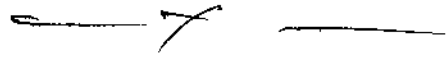
(6)

Ans! Types, cartel,



a) Price leadership

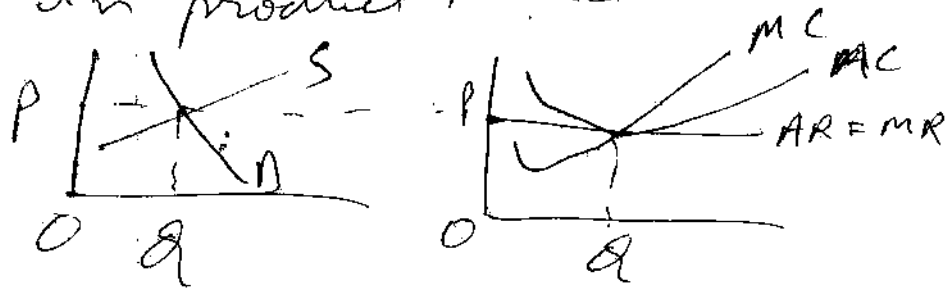
Ans! - Types ① Dominant, ② collusive, ③ Barometric ④ Aggressive



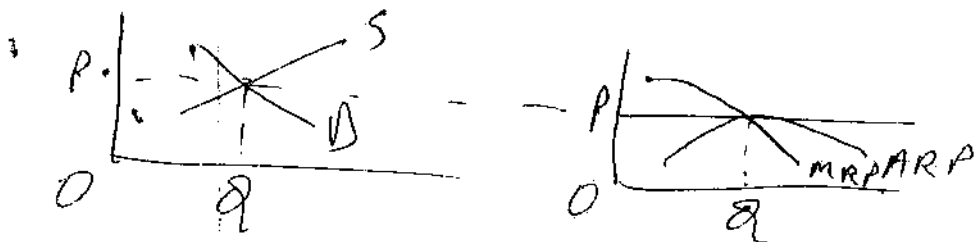
Q.4 / Module IV

a) General Equilibrium (GE)

Ans Assumptions, General Equilibrium in product market



GE in factor mkt



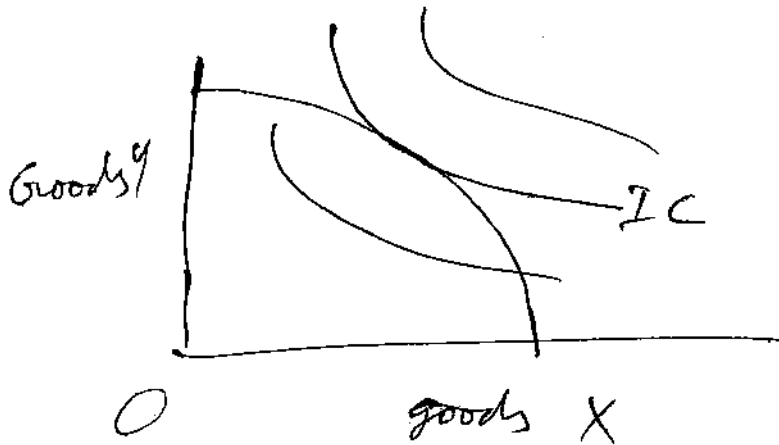
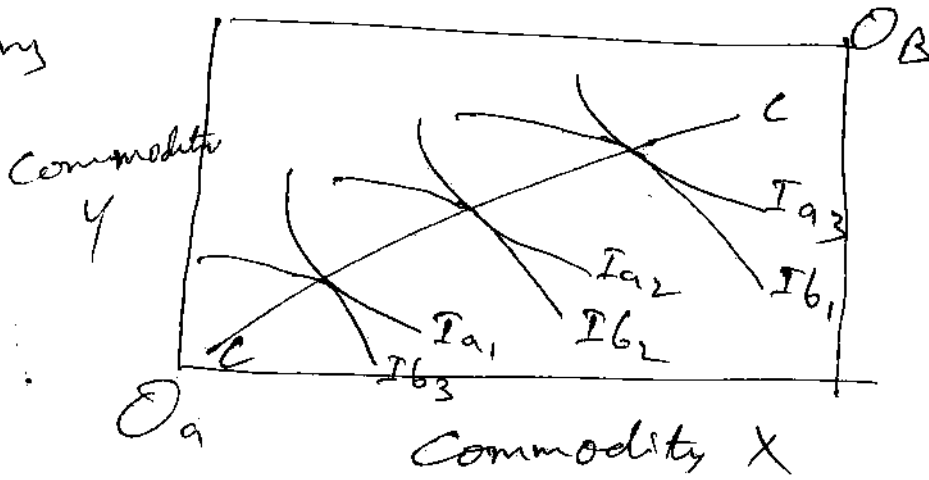
Criticism



Q. 4 / Module IV

b) Pareto Optimality

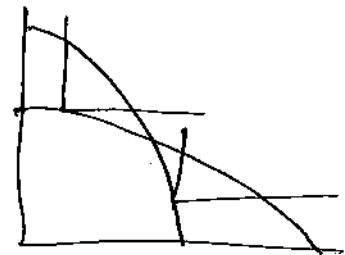
Ans



c) Kaldor - Hicks Compensation criteria

Ans: Assumptions, model

Criticism



Q. 5

d) Arrow's Impossibility Theorem

Ans Types

Criticism

Individual	Alternative		
	X	Y	Z
A	3	2	1
B	1	3	2
C	2	1	3

08