

No. : MSRIM /EXM/2018

26th September 2018

To,

Dr. Anupama Malagi

Dear Sir,

We are pleased to appoint you as the paper-setter and examiner for **MANAGERIAL ECONOMICS**. In case it is not possible to accept this examiner ship, kindly inform us immediately assigning the reason if any.

I would request you to set above paper on the syllabus enclosed herewith. The paper will be in English medium. The paper may please be sent to Registrar (Eva.) through e-mail inchara1951@gmail.com. The name of the subject with set number of paper should be given clearly on the cover letter. Broad guidelines for setting question paper is attached to this letter.

Kindly read carefully, the attached instructions and rules and follow them. In order to enable you to set the question paper, the following material is sent herewith:

- (i) A copy of the syllabus of the subject with scope and limitations,
- (ii) A copy of question paper set last in the subject and skeleton of question paper to indicate the pattern.
- (iii) Marking scheme format
- (iii) In case of any clarification regarding question paper setting or remuneration or any doubt you can mail query at - inchara1951@gmail.com or contact **Phone No. 23607135**

Remuneration of **Rs 2500/- for two set of Question paper** along with Scheme of valuation, will be paid through Demand Draft after the conduct of the examination. Remuneration for valuation of answer script is rate is Rs. 50 /- per script. The details are As follows;-

REMUNERATION TO PAPER-SETTERS AND EXAMINERS

Remuneration to Paper-Setters & Examiners for Theory

Sl. No	Examination	For Paper-Setting ONE SET OF qp per Paper In Rs,		Total	For Examining per Paper In Rs		Total
		Paper setting two qp's	Model answer For two qp'		Valuation per script	Marks sheet (soft & hard copy)	
1	PGDM	1000=00	1500=00	2500=00	30=00	20=00	50=00
2							
3							

Paper setters while setting the question papers shall ensure that all sets of question papers are comparable, as far as possible, with regard to the concepts tested, cognitive operation required, the scope of the answer, difficulty level, time limit, number of teaching hours, whether includes problems / sums, scope of theory. The paper should be in conformity with the scope and limitations specified in the syllabus.

Paper setter shall consider the number of teaching hours, and the teaching includes problems / sums, and theory, while setting questions in each of the chapter.

Kindly ensure that questions are error free, neatly typed as specified give marking instructions. Wrong questions, if found, attract deduction in the Remuneration fee. **The question papers will be sent directly to the printer without editing or scrutiny. Hence it is requested to make the question paper error free.**

PUNCTUALITY SHALL BE observed in all matters. Remuneration for paper setting is subject to submission of Question Paper by due date.

Kindly mail question papers to inchara1951@gmail.com on or before **06.10.2018**

Yours truly,

Registrar (Eva.)

QUESTION PAPER DESIGN

Typology of questions	Learning out comes	Type of questions	No. of questions	Wegh tage	Mark s	
Knowledge based recall questions to know specidfic facts,terms,principles or theories identify,define.	define, identify, label, list, name, state, match, recognize, locate, memorize, quote, recall, reproduce, tabulate, tell, copy, discover, duplicate, enumerate, listen, observe, omit, read, recite, record, repeat, retell, visualize	VSA	11 questions of 2 marks 1 question of 3 marks with choice	<u>25%</u>	25	<ul style="list-style-type: none"> • Questions to be given from each module and not to be repeated if it is <4 hours input session (no choice). • 3 marks question can be a problem or a combination of 2-3 theoretical inputs.
Comprehension based questions- defined as the ability to grasp the meaning of material, shown by translating material from one form to another (words or numbers), by interpreting material (explaining or summarizing, and by estimating future trends (predicting consequences or effects). These learning outcomes go one step beyond simple remembering of material, and represent the lowest level of understanding.	compare, discuss. explaion, express, identify. recogmnise, rerestate, translate Converts, defends, distinguishes, estimates, explains, extends, generalises, gives examples, infers, paraphrases, predicts, rewrites, summarize,Associate , Classify , Compute ,Convert ,Defend , Discuss Distinguish ,Estimate , Explain .Express, Extend , Extrapolate Generalize , Give examples ,Indicate , Infer , Locate , Paraphrase , Predict , Rewrite , Review , Summarize , Translate	E	5 questions of 5 marks each	<u>25%</u>	<u>25</u>	<ul style="list-style-type: none"> • 5 questions will be from 5 different units. • Each question will have a choice from the same unit. • Length of expected answer not to exceed 150 words. • The choice could be theory interfaced with practicals (problems).
Application refers to the ability to use learned material in new and concrete situations. This may include the application of such things as rules, methods, concepts, principles, laws, and theories. Learning outcomes in this area require a higher level of understanding than those of	Changes, computes, demonstrates, discovers, manipulates, modifies, operates, predicts, prepares, produces, relates, shows, solves, uses.Add ,Apply ,Calculate ,Change ,Choose ,Classify ,Complete ,Compute ,Demonstrate ,Examine ,Facilitate ,Graph ,Illustrate ,Interpret ,Manipulate ,Modify ,Operate ,Prepare ,Produce ,Show ,Solve ,Subtract	E	One case study not exceeding 1/2 page of A4 size paper	<u>20%</u>	<u>20</u>	<ul style="list-style-type: none"> •Case study to be related to the subject prescribed (not a general one on management) •It has to have scope for relating to at least 2 heoretical concepts. •A minimum of 5 questions to be set on the case study.

comprehension.	,Translate ,Use					
Analysis refers to the ability to break down material into its component parts so that its organizational structure may be understood. This may include the identification of the parts, analysis of the relationship between parts, and recognition of the organizational principles involved. Learning outcomes here present a higher intellectual level than comprehension and application because they require an understanding of both the content and structural form of the material.	Breaks down diagrams, differentiates, discriminates, distinguishes, identifies, illustrates, infers, outlines, points out, relates, selects, separates, subdivides.,Analyze, Arrange ,Breakdown Calculate ,Categorize „Combine ,Compare ,Contrast, Criticize, Design ,Detect ,Develop ,Diagram ,Differentiate ,Discriminate ,Distinguish ,Illustrate ,Infer ,Model „Outline ,Point out ,Question ,Relate ,Select ,Separate ,Subdivide ,Test	E	Two Application oriented exercise	<u>20%</u>	<u>20</u>	•Application oriented exercise, interpretation of graphics, diagrams, pictures and cartoons, Ads, slogans, news headings, etc from management perspective (subject specific).
Synthesis refers to the ability to put parts together to form a new whole. This may involve the production of a unique communication (theme or speech), a plan of operations (research proposal), or a set of abstract relations (scheme for classifying information). Learning outcomes in this area stress creative behaviours, with major emphasis on the formulation of new patterns and structures.	Categorises, combines, complies, composes, creates, devises, designs, explains, generates, modifies, organises, plans, rearranges, reconstructs, relates, reorganises, revises, rewrites, summarises, tells, writes,,Arrange ,Assemble ,Categorize ,Collect ,Combine ,Compile ,Compose ,Create ,Design Develop ,Devise ,Explain ,Formulate ,Generate ,Group Integrate ,Modify „Order Organize ,Plan „Propose ,Reconstruct ,Reorganize ,Revise ,Rewrite ,Summarize ,Transform ,Specify,	SA	1 or 2 questions depending upon the nature of subject and choice of the examiner preferably based on extensive reading of dailies, journals etc. On contemporary issues and developments in the related field	<u>10%</u>	<u>10</u>	<ul style="list-style-type: none"> • No choice • A very tough and challenging question related to the subject but not necessarily within the frame work of syllabus • No choice • A very tough and challenging question related to the subject but not necessarily within the frame work of syllabus
Evaluation is concerned with the ability to judge the value of material (statement, novel, poem, research	Appraises, compares, concludes, contrasts, criticises, describes, discriminates, explains, justifies,		1 or 2 questions depending			

<p>report) for a given purpose. The judgements are to be based on definite criteria. These may be internal criteria (organisation) or external criteria (relevance and purpose) and the student may determine the criteria or be given them. Learning outcomes in this area are highest in the cognitive hierarchy because they contain elements of all of the other categories, plus value judgements based on clearly defined criteria.</p>	<p>interprets, relates, summarises, supports. Appraise,Argue ,Assess ,Compare ,Conclude „Contrast Criticize „Critique ,Defend ,Determine ,Discriminate ,Estimate ,Evaluate ,Explain ,Grade ,Interpret ,Judge ,Justify ,Measures</p>		<p>upon the nature of subject and choice of the examiner preferably based on extensive reading of dailies, journals etc. On contemporary issues and developments in the related field</p>			
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INSTRUCTIONS FOR PAPER SETTERS

- The language medium is English.
- Confidentiality must be strictly maintained.
- Examination papers must be typed under secure conditions with disks, pen drive and master copies kept locked away after use.
- Papers should be typed/printed in the format as:
- Paper size: A4; Font style: Times New Roman; Font size: 12; Line spacing: 1.5
- Header portion should be in font size 14 with bold and capital letters.
- The print should be sufficiently dark and clear to produce good quality photocopies.
- Each page must be numbered clearly. (e.g.) Page 1 of 2, at the middle bottom of the page.
- ‘Instructions to the examinee’ should be correctly specified on first page of the question paper.
- **Paper setter shall consider the number of teaching hours, and the teaching methodology, that is whether the teaching methodology includes problems / sums, and theory, while setting questions in each of the chapter.**
- The question paper should be fairly distributed over the whole syllabus prescribed for the course during the academic semester. No question or part thereof should be out of the prescribed syllabus. **Repetition of question must be avoided.**
- A question/sub question should not be split across two pages, it should appear on the same page.
- Serial number of question should be given on the left hand margin and marks allotted to each question
- Should be mentioned on right hand side of the paper. Where a question is divided into parts, the marks
- Assigned to each part should also be indicated on the right side of the paper.

- Graphs, diagrams, maps, tables etc. must be originals and suitable for photocopying. They must either be incorporated in the typescript OR if they are to appear as separate sheets, they must be in A4 format and bear the paper number and must identify clearly the question to which it refers.
- The name of examination, subject and subject code as given in the heading should be carefully checked from the syllabus in the order.
- Abbreviation of all kinds should be avoided, except those in special subjects.
- Ensure that the question paper does not contain any objectionable/unlawful contents/questions of politically or religiously sensitive issues.
- Please type 'END OF PAPER' immediately after the last question.
- Please ensure that question paper manuscripts are destroyed or kept in safest custody.

Please submit THE KEY ANSWER AND SCHEME OF VALUATION to question.

Marking schemes should:

- allocate marks in proportion with the demands of questions;
- include the mark allocation for each question and parts of a question, with a more detailed breakdown where necessary;
- include an indication of the nature and range of responses likely to be worthy of credit and likely responses which would be unacceptable;
- state the acceptable responses to each question, or parts thereof, in sufficient detail to enable marking to be undertaken in a standardised manner;
- provide guidance to help markers make judgments on alternative answers;
- Include marking instructions for assessing quality of written communication, where applicable.
- The total number of marks available for each question and each part of a question should be shown in the mark scheme and must tally with the marks shown on the question paper.
- Each mark should reflect equal demand.

- All marking should be positive, and as far as possible candidates should gain credit for valid answers and get credit for incorrect or irrelevant answers.
- Marking schemes must encourage the examiner to use the full range of marks available.
- Full marks should be available for a level of achievement appropriate to able candidates.

Sd/-

REGISTRAR (EVALUATION)

To

**Registrar (Evaluation)
Ramaiah Institute of Management
Bangalore**

UNDERTAKING LETTER

- I undersign undertake to maintain the secrecy in matter of paper setting of subject and all other assigned work including correspondence.
- Further, I assure you that I shall maintain utmost secrecy in the work entrusted to me for examination and discharge all my duties impartially without involving in any type of malpractice which violates the code of conduct of examination.
- No relative* of mine is appearing at the examination work assigned to me.
- I have neither given tuition to any student or attached with any tuition classes and imparted any private or personal tuition or training or coaching for the
- I have deleted all the files/folders pertaining to assigned exam work from the hard disc of the PC which I have used paper setting work.
- I assure you that I have followed all the “Guidelines for Paper Setter”, and also verified the content of the question paper file in CD, before sending it to the registrar.

- Date : Signature :
- Place Full Name :
- Tele No. : (R)
- (O)
- (M)
- UPDATED ADDRESS (IN BLOCK LETTERS) :
- Residence : College :

All correspondence relating to examination should please be addressed to

Registrar (Evaluation), Ramaiah Institute of Management, Bangalore the by name and marked 'Confidential' mentioning your examiner No.....

I/III SEMESTER EXAMINATION

SUBJECT:

Time: 3 Hours

Max. Marks

100

Section A

**Answer all questions.
2=22)**

(11 X

(Question 12 compulsory carries 3 marks)

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.

(1X3=3)

**Section B: Answer all questions. Each question carries 5 marks.
(5x5=25)**

13. (a)

Or

(b)

14. (a)

Or

(b)

15. (a)

Or

(b)

16. (a)

Or

(b)

17. (a)

Or

(b)

Section C: Case Study

(20 Marks)

18.

Section D: Application oriented exercise

(20 Marks)

19.

OR

20.

Section E:

(10 Marks)

21.

(Graphs, diagrams, maps, tables etc. must be in originals and suitable for photocopying. They must either be incorporated in the typescript OR if they are to appear as separate sheets, they must be in A4 format and bear the paper number and must identify clearly the question to which it refers. If any mathematical table / Value Tables, has to be provided in the examination to solve the question paper, please attach one copy of required mathematical table / Value Table)

MARKING SCHEME AND SCORING KEY

General Instructions:

1. The marking scheme carries only suggested value points for the answer. These are only guidelines and do not constitute the complete answer. The students can have their own expression and if the expression is correct, marks be awarded accordingly.
2. Evaluation is to be done as per instructions provided in the marking scheme.
3. If a question has parts, please award marks on the right hand side for each part. Marks awarded for different parts of the question should then be totalled up and encircled in the left hand margin.
4. If a question does not have parts, marks be awarded in the left hand margin.
5. If a candidate has attempted a question twice, marks should be given in the question attempted first and the question attempted later should be ignored with the comment 'Extra Attempt'.
6. In a question, if two features/ characteristics/ points are asked but an examinee writes more than two features/ characteristics/ points, say, five, of which first is correct, second is incorrect, the first two should be assessed and the remaining should be ignored.
7. The examiners should acquaint themselves with the instructions given in the Guidelines for Spot Evaluation before starting the actual evaluation.
8. Every examiner should stay upto sufficiently reasonable time normally 5-6 hours everyday and evaluate 20-25 answer books and should devote minimum 15-20 minutes to evaluate each answer book.
9. Every examiner should acquaint himself/ herself with the marking schemes of all the sets.
10. It is expected that the marking scheme should be followed objectively to ensure quality evaluation. For instance, if an examinee scores 30 marks, then the marks should not be inflated to 33 simply to pass him/ her.
11. Marks should be awarded keeping in view the total marks of a particular question and not the total marks of the question paper. For example, if one mark is given to a 3 marks question even if nothing is correct, then that one mark constitutes 33% of the total marks for this answer.
12. The examiner shall also have to certify in the answer book that they have evaluated the answer book strictly in accordance with the value points given in the marking scheme and correct set of question papers.
13. In compliance to the judgement of Hon'ble Supreme Court of India, Board has decided to provide photocopy of the answer book(s) to the candidates who will apply for it along with the requisite fee from 2012 examination. Therefore, it is all the more important that the evaluation is done strictly as per the value points given in the marking scheme so that the Board could be in a position to defend the evaluation in any forum.
14. While evaluating the answer scripts, if the answer is found to be totally incorrect, it should be marked as (x) and awarded zero (0) marks.

Details of Coverage of Syllabus

Set - 1

Sl. NO	Syllabus	Sl. No of questions	Marks
1			
2			
3			
4			
5			
6			
7			
8			

Set - 2

Sl. NO	Syllabus	Sl. No of questions	Marks

Syllabus :

18PGD104	MANAGERIAL ECONOMICS			3 Credits	
Course Objectives		Course Outcome			
<ul style="list-style-type: none"> •To understand the economic way of thinking with respect to demand, supply, factors and cost of production, and for individual and business decisions •To know the four basic market models of perfect competition, monopoly, monopolistic competition, and oligopoly, and how price and quantity are determined in each model 		<ol style="list-style-type: none"> 1. Understand Economic Concepts, Laws, Tools and Theories to analyze and make business decisions. 2. Learn economic problems solving skills to analyze the opportunities and challenges and recognize the role of social and ethical values in decision making in local and global economy. 3. Recognize how competition in a market affects business decisions (pricing & output) and demonstrate the ability to employ the economic way of thinking. 			
Module No .	DETAILED SYLLABUS	TEACHING HOURS	OBJECTIVE OF THE MODULE	TEACHING METHODOLOGY	LEARNING OUTCOMES OF THE MODULE
1	<p>Managerial Economics : Nature And Scope Role of Managerial Economics</p> <p>In decision making. Nature & Scope – Basic concepts – Positive and Normative Economics- Micro & Macro</p> <p>Production Possibility Curve, Optimization.</p> <p>Alternative Objectives of the Firm- Managerial and Behavioral theories of Firm. Concept of Welfare economics and its implications to business</p>	5	To integrate the basic concepts of economics to analyze and make optimal business decisions.	Lecture - Illustrating with practical Examples	Understand the basic concepts of managerial economics; Know the reasons for existence and goals of firms. Recognize optimal decision making. basic concepts of Macro Economics
2	<p>Demand and Supply Analysis</p> <p>Demand analysis - Law of demand – Giffen’s paradox. Supply analysis; – Law of supply – Movement and shifts in demand and supply – Market equilibrium – Applications of demand and supply analysis in managerial decision-making. Elasticity - price,</p>	4	Understanding the demand, supply and market equilibrium And Elasticity	Lecture – Problems Illustrating with practical Examples	Comprehend basic concepts of Demand, Supply and Equilibrium and their determinants. Integrate the effect of these factors on market dynamics. Define and measure elasticity. Apply the concepts of price,

	cross and Income. Methods to measure.				cross and income elasticity. Understand the determinants of elasticity. Analyze how elasticity affects revenue.
3	<p>Logical Foundation Of Consumer Behavior</p> <p>Cardinal and ordinal utility approaches Law of Diminishing Marginal Utility and equi-marginal Utility – Indifference analysis. Revealed Preference Hypothesis</p>	4	Understanding the logical foundation of consumer behavior on Business	Lecture, Problems Illustrations	Ability to differentiate between Cardinal approach and Ordinal. Measuring consumers satisfaction
4	<p>Demand Estimation And Forecasting</p> <p>Demand forecasting in business</p> <p>Quantitative and Qualitative techniques</p>	2	Relevance of Demand forecasting	Lecture, Problems	Understand the concepts, importance and applications of different forecasting techniques.
5	<p>Production Analysis</p> <p>Production function with one variable input and two variable inputs – Law of diminishing of returns – iso quants and iso costs analysis – Producer Equilibrium – Law of substitution – Production functions and managerial decision making – Equilibrium of a multi product business firm – Expansion path Cobb-Douglas Production Function.</p>	7	To understand the process of production function	Lecture, Problems Illustrations	Understand and estimate production function; Law of DMR and three stages of production; Isoquant and Isocost and finding out optimal combinations of inputs; Various forms of production function including the Cobb-Douglas function
6	<p>Cost Analysis</p> <p>Kinds of costs -- Applications of cost analysis in managerial decision making – The relationship between product and cost curves. Economics of scale and economies of scope –. Modern cost curves- Learning Curve. Break Even Point</p>	7	Understanding the application of cost and economies of scale.	Lecture, Problems Illustrations	Knowledge of cost function and the difference between short-run and long-run cost function. Establish the linkage between production function and cost function. Understand concepts of relevant costs. Understand and calculating break-even

					point. • BEP and demand analysis. Concepts and applications of operating leverage
7	Market Structures And Pricing Types of markets, equilibrium under perfect competition – Monopoly–price discrimination under monopoly; Monopolistic competition –. Price Searchers Oligopoly — Kinked demand model of oligopoly, Collusive and non collusive oligopoly - Game Theory - Dominant Strategy, Nash equilibrium Strategy, Maxi-Min Strategy	7	Understanding the market structures and pricing	Lecture, Problems Illustrations	Compare and contrast four basic market types. Meaning and price-output decisions of perfectly competitive firm, both in short and long-run. Meaning and price-output decisions of monopoly firm, both in short and long-run. Explain how fixed-cost and variable-cost determine firm's break-even level of output.
	Total Hours	36			

Text Book:

1. Ahuja H.L., Business Economics, Micro, S. Chand & Company Ltd., Latest Ed.

Reference Books:

1. Mithani DM Managerial Economics, 5th ed. Himalaya Publications.
2. Koutsoyiannis , A Modern Microeconomics, Macmillan.
3. Ahuja H.L.: Advanced Economics Theory: Microeconomics Analysis S.Chand& co.
4. Mithani, Managerial Economics: Himalaya Publishing House.
5. Kreps. David M, A Course in Microeconomics Theory, Princeton University Press Princeton.
6. Stigler.G. Theory of Price, Prentice Hall of India, New Delhi.
7. Chrystal &Lipsey, Economics for Business & Management, Oxford University Press.
8. DwivediD.N ,Managerial Economics Tata Mcgraw Hill Education Private Ltd., New Delhi

Sample Question Paper

Subject: Managerial Economics

Time: 3 Hours

Max. Marks 100

Section A - Answer all questions. Question 12 compulsory carries 3 marks.

(11 X 2=22)

19. Discuss the relevance of Baumol's Model of sales revenue maximization in the present context.
20. Discuss the scope of managerial economics and relate it with different disciplines.
21. Explain the Cost Volume Profit Analysis
22. Give any four assumption of utility analysis
23. Briefly outline the statistical method of estimating cost function.
24. State the definition of law of equi-marginal utility.
25. Write the demand function?
26. Define the concept of monopolistic competition.
27. Describe the law of variable proportion.
28. What are the features of perfect competition?
29. Explain any one method of measuring national income.
30. What are the characteristics of Business cycle? **(3 Marks)**

Section B - Answer all questions. Each question carries 5 marks.

(5x5=25)

31. (a) Distinguish between accounting costs and Economics costs. Explain with suitable examples.

Or

(b) Explain the functional forms of cost function giving illustration.
32. (a) "It is believed that a firm under a perfect competition is a price-taker and not a price-maker." Explain giving examples.

Or

(b) Explain the concept of law of diminishing marginal utility with a suitable example. Why is it relevant for managers in taking decisions relating to expansion or diversification?
33. (a) Why is demand analysis significant for management? Identify various concepts of demand relevant for various functional areas of management.

Or

(b) State the assumption underlying the economists' theory of firm. Develop a critique of the theory and suggest the need for alternative models.
34. (a) Oligopolists are more likely to match the price-cut than a price increase by a competitor. Why? Explain with the help of examples.

Or

(b) What is Elasticity of Demand? Explain Price, Cross and Income. Elasticity of Demand used in managerial decision making process.
35. (a) What do you mean by Monopoly? How price and output is determined in short and long run in Monopoly Competition?

Or

(b) What is Cost of Capital? Explain its structure and role in inter- national competitiveness.

Section C: Case Study

(20 Marks)

36. Shri S. S. Roy, an Economist, Hindustan Unilever Ltd., has estimated that if there is one percent increase in the prices of textiles, the demand for the textiles would come down by 1.4 percent. Similarly, if the food prices go up by one percent, the demand for textiles would come down by 0.98 percent.
Price elasticity is an area where active intervention by the mills can contribute to the expansion of demand.
The margins in textiles business by various studies vary from 28 percent to 48 percent (this includes margins of manufacturer, wholesaler, semi-wholesaler and retailer). If

the distribution system could be rationalized so as to bring down the final prices of cloth, then by exploiting price elasticity alone, demand can go up.

Questions

- Identify the various types of demand elasticities relevant to textile demand in India.
- Clearly define these elasticities and state their formulae.
- What role has been visualized for price-elasticity of demand for textiles in India?
- If price of cloth is reduced by 15% how much will the demand increase?
- If cloths are purchased online at 50% discount, how much will the demand increase?

Section D - Application oriented exercise

(20 Marks)

37. (a) Unemployment is one of the biggest causes of poverty in the UK. Loss of income can leave people without sufficient income to meet housing costs. Rises in unemployment often exacerbate the rates of homelessness. Those who are unemployed will find it more difficult to get work in the future. Amongst studies of unemployed men, signs of depression, mental anxiety, and health problems are noticeably higher. Higher unemployment will cause a fall in tax revenue because there is fewer people paying income tax and also spending less (hence lower VAT). Also, the government will have to spend more on unemployment and related benefits. The government doesn't just pay unemployment benefit, but a family who has unemployment will be more likely to receive housing benefit and income support. One study shows that the cost to the Exchequer for one person being unemployed is £6,243 a year in benefits and lost tax revenue.

In the picture shown below the demand for the job in front of an employment exchange is given. In market equilibrium condition, does the queue grow or diminish? Is it required to forecast demand? What is the type of market structure you can notice?



OR

(b) The PM's announcement that high denomination currency notes will soon be worthless paper caught everyone unawares. Even the government departments did not know of it and would have to prepare for its implementation after the TV announcement. It is an attack against the black economy no doubt but questions will be asked about how effective it would be and at what cost to the economy? Is it a welfare economics and explain its implications? In the picture shown below, people are in a queue to exchange new notes. How can you apply the law of demand and supply?



Section E -

(10 Marks)

38. Suppose an industry is characterized by oligopoly and is dominated by a large firm. Does the dominant firm have any role in oligopoly market? In the light of kinked demand curve explain the theory of price rigidity. Do you think the price is really sticky in spite of upward shift in cost? Why?