Roll No.											

PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations – December 2025

Date: 11 – 12- 2025 **Time:** 01:00pm – 04:00pm

School: SOL	**Program:** BA.LLB / B.Com LLB/ BBA. LLB (HONS)	
Course Code : LAW2019	**Course Name:** Law and Economics	
Semester: VII	**Max Marks**: 100	**Weightage**: 50%

CO - Levels	**CO1**	**CO2**	**CO3**	**CO4**	**CO5**
Marks	**14**	**14**	**19**	**27**	**26**

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks. **10Q x 2M=20M**

1.	Define “Perfect Competition” and mention two of its essential characteristics.	**2 Marks**	**L-1**	**CO1**
2.	Differentiate between “Monopoly” and “Monopolistic Competition”.	**2 Marks**	**L-2**	**CO1**
3.	What is meant by “Market Power”? Provide an example.	**2 Marks**	**L-2**	**CO2**
4.	Explain the concept and importance of the “Lerner Index”.	**2 Marks**	**L-3**	**CO2**
5.	Discuss briefly the concept of “Cross Elasticity of Demand” and explain its relevance in market definition.	**2 Marks**	**L-2**	**CO3**
6.	What is the “Natural Monopoly Rationale” in law and economics?	**2 Marks**	**L-2**	**CO3**
7.	Explain in brief the term “Efficient Breach” in contract law	**2 Marks**	**L-3**	**CO4**
8.	State the meaning of “Strict Liability” in tort law.	**2 Marks**	**L-2**	**CO5**
9.	What is meant by “Contestable Markets”?	**2 Marks**	**L-1**	**CO3**
10.	Why is regulation essential in markets with monopoly power?	**2 Marks**	**L-3**	**CO3**

Part B

Answer the Questions. **Total Marks 80M**

11.	**a.**	Explain how price and output are determined under Perfect Competition.	**5 Marks**	**L-3**	**CO1**
	b.	Discuss the consequence when new firms enter the market?	**5 Marks**	**L-3**	**CO1**
Or					
12.	**a.**	Apply the concept of deadweight loss to demonstrate how monopolies reduce overall economic efficiency.	**5 Marks**	**L-4**	**CO1**
	b.	Illustrate this using a suitable real-world case, such as the dominance of tech platforms, showing how monopoly pricing led to reduced consumer welfare and loss of total surplus	**5 Marks**	**L-4**	**CO1**

13.	**a.**	Apply the Lerner Index to evaluate the degree of monopoly power of a firm that charges ₹10 per unit while its marginal cost is ₹6.	**5 Marks**	**L-3**	**CO2**
	b.	Based on the Lerner Index result, explain what the firm's pricing power indicates about the level of competition in the market and how this would differ under perfect competition.	**5 Marks**	**L-3**	**CO2**
Or					
14.	**a.**	Discuss how market entry barriers and product differentiation contribute to the persistence of monopoly power.	**5 Marks**	**L-4**	**CO2**
	b.	Support your answer with examples from Indian industry.	**5 Marks**	**L-4**	**CO2**

15.	**a.**	Explain how government regulation can improve efficiency in natural monopolies.	**5 Marks**	**L-4**	**CO3**
	b.	Apply the concept to the electricity or water distribution sector in India.	**5 Marks**	**L-4**	**CO3**
Or					
16.	**a.**	Critically evaluate how over-regulation or excessive competition may harm consumer welfare, citing relevant economic theories.	**10 Marks**	**L-5**	**CO3**

17.	**a.**	While applying the concept of economic efficiency to analyse remedies in breach of contract, which remedy is generally considered more efficient damages or specific performance?	**10 Marks**	**L-5**	**CO4**

	b.	Support your reasoning with reference to the efficient breach theory and relevant case illustrations.	**5 Marks**	**L-5**	**CO4**
Or					
18.	**a.**	"Contract law promotes efficient allocation of resources." Examine this statement in light of the Law and Economics perspective.	**8 Marks**	**L-5**	**CO4**
	b.	The primary goal of modern contract law is not only to enforce promises but also to facilitate economically efficient transactions that maximise social welfare. In light of this proposition, "Contract law promotes efficient allocation of resources." Examine this statement using the Law and Economics perspective, with reference to concepts such as efficient breach, transaction costs, and allocation of risks, supported by judicial or scholarly authority.	**7 Marks**	**L-5**	**CO4**

19.	**a.**	Apply the Hand Formula (B < PL) to a case where a factory neglected basic safety precautions resulting in an accident. Was the factory negligent?	**8 Marks**	**L-4**	**CO5**
	b.	Proposition: Under the economic analysis of tort law, a defendant is negligent if the burden of taking precautions (B) is less than the expected probability of harm multiplied by the magnitude of loss (PL), as per Judge Learned Hand's formula. Apply the Hand Formula (B < PL) to a scenario where a factory failed to implement basic safety precautions, leading to an industrial accident-causing worker injury. Based on the cost of precaution, likelihood of harm, and severity of injury, analyse whether the factory's omission amounts to negligence from a Law & Economics perspective.	**7 Marks**	**L-4**	**CO5**
Or					
20.	**a.**	Evaluate the economic rationale for strict liability using examples from environmental or consumer protection cases.	**8 Marks**	**L-5**	**CO5**
	b.	Strict liability aims to internalize externalities by placing the cost of harm on the party best positioned to prevent it, thereby promoting economic efficiency and deterrence. Evaluate the economic rationale for strict liability with reference to how it addresses externalities, allocates risk efficiently, and incentivizes safer behaviour, using suitable examples from environmental or consumer protection cases.	**7 Marks**	**L-5**	**CO5**

21.	**a.**	The Indian telecom sector has only three major players. Due to high spectrum fees, one operator plans to increase tariffs significantly. Using the concepts of monopoly efficiency, market power, and consumer welfare, analyse whether government intervention in pricing is justified.	**10 Marks**	**L-6**	**CO4**
	b.	Suggest an economically efficient policy response.	**10 Marks**	**L-6**	**CO4**
Or					
22.	**a.**	A supplier cancels a delivery contract because a new buyer offers a higher price. The original buyer sues for performance. Suggest the original buyer with the available legal remedies.	**10 Marks**	**L-6**	**CO5**
	b.	Apply the efficient breach doctrine and economic reasoning to determine whether the supplier should compensate or be compelled to perform	**10 Marks**	**L-6**	**CO5**