

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
MA DEGREE EXAMINATION MAY 2025
(Second Semester)

Branch - ECONOMICS

ADVANCED MICROECONOMIC THEORY - II

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	When the game is played on a predetermined course of action, which does not change throughout the game, then the game is said to be _____ a) Pure strategy game b) Fair strategy game c) Mixed strategy game d) Unsteady game	K1	CO1
	2	One of the assumptions in the game theory is _____ a) All players act rationally and intelligently b) The winner alone acts rationally c) Loser act intelligently d) Both the player believe luck	K2	CO1
2	3	Which of the following is called product exhaustion theorem? a) Cobb Douglas function b) CES c) Euler's theorem d) Translog	K1	CO2
	4	The value of marginal product is calculated by multiplying the _____ by the _____. a) Marginal product; price of the product b) Quantity of labour; wage rate c) Wage; Price of the product d) Total product; wage rate	K2	CO2
3	5	The general impossibility theorem was given by _____ a) Samuel J. Bow b) Kenneth J. Arrow c) Samuel J. Arrow d) Kenneth J. Spear	K1	CO3
	6	Rawls conceives of the parties in the original position as _____ a) Benevolent b) Malevolent c) Mutually disinterested d) Greedy egoists	K2	CO3
4	7	General equilibrium theory was first propounded by Leon Walrus in _____ a) 1970 b) 1888 c) 1945 d) 1874	K1	CO4
	8	Leon Walras basic insight was that the economic system is analogous to a _____. a) Set of equations b) Living organism, such as an amoeba c) Concentration camp d) Machine, such as a steam engine	K2	CO4
5	9	People who choose not to participate in fair gambles are called _____. a) Risk takers b) Risk averse c) Risk neutral d) Broke	K1	CO5
	10	An individual will never buy complete insurance if _____. a) He or she is risk averse b) He or she is a risk taker c) Insurance premiums are fair d) Under any circumstances	K2	CO5

Cont...

SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Construct the differences between simultaneous – move and sequential move games.	K3	CO1
		(OR)		
	11.b.	Describe how Oligopolists firms that choose quantities can be modeled using game theory.		
2	12.a.	Demonstrate the implications of marginal productivity theory.	K4	CO2
		(OR)		
	12.b.	Analyze the wage determination under Monopsony.		
3	13.a.	Discuss the lemons problem in market with asymmetric information.	K4	CO3
		(OR)		
	13.b.	Briefly explain the concept of poverty – weighted index of social welfare.		
4	14.a.	Explain the construction of Edge worth box and show how general equilibrium is attained in production.	K5	CO4
		(OR)		
	14.b.	Appraise the need to develop a general equilibrium model in contrast to partial equilibrium model.		
5	15.a.	Discuss the role of Markowitz portfolio theory in selection of an efficient portfolio.	K6	CO5
		(OR)		
	15.b.	Construct the significance of the mean variance portfolio theory in portfolio selection.		

SECTION -C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks

(3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO														
1	16	<p>Two cereal manufacturers firm A and firm B are contemplating manufacturing a cereal made from either wheat or rice: the payoff matrix is as follows:</p> <table><tr><td></td><td></td><th colspan="2">Firm B</th></tr><tr><td rowspan="3">Firm A</td><td></td><th>Wheat</th><th>Rice</th></tr><tr><th>Wheat</th><td>(10, 12)</td><td>(6, 8)</td></tr><tr><th>Rice</th><td>(1,6)</td><td>(8, 12)</td></tr></table> <p>If two firms choose simultaneously what is the Nash equilibrium? If firm A chooses first, what is the optimal strategy of firm B? Does firm A have any advantage in moving first?</p>			Firm B		Firm A		Wheat	Rice	Wheat	(10, 12)	(6, 8)	Rice	(1,6)	(8, 12)	K6	CO1
		Firm B																
Firm A		Wheat	Rice															
	Wheat	(10, 12)	(6, 8)															
	Rice	(1,6)	(8, 12)															
2	17	Examine the Hicks and Samuelson solutions to Product exhaustion theorem.	K4	CO2														
3	18	Analyze the Rawl's theory of justice.	K4	CO3														
4	19	Prove that Walrasian general equilibrium has the existence and stability property.	K5	CO4														
5	20	Elaborate the utility maximization output under price uncertainty.	K5	CO5														