

**PSG COLLEGE OF ARTS & SCIENCE**  
(AUTONOMOUS)  
**MA DEGREE EXAMINATION DECEMBER 2025**  
(First Semester)  
Branch - **ECONOMICS**

## ADVANCED MICRO ECONOMIC THEORY - I

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	Which law is the foundation of indifference curve analysis? a) Diminishing marginal utility b) Equi-marginal principle c) Diminishing marginal rate of substitution d) Revealed preference	K1	CO1
	2	Hicks' Revision of Demand Theory mainly emphasises a) Income effect only b) Substitution effect only c) Both income and substitution effects d) Utility maximisation	K2	CO1
2	3	Isoquants represent a) Equal costs b) Equal output c) Equal revenue d) Equal utility	K2	CO2
	4	Cobb-Douglas production function is generally expressed as a) $Q = a + bL + cK$ b) $Q = AL^{\alpha} K^{\beta}$ c) $Q = aL - bK$ d) $Q = L/K$	K2	CO2
3	5	In perfect competition, a firm is a a) Price maker b) Price taker c) Price discriminator d) Price regulator	K1	CO3
	6	Which market structure allows price discrimination? a) Perfect competition b) Monopoly c) Monopolistic competition d) Oligopoly	K2	CO3
4	7	Cournot model of oligopoly assumes a) Firms act independently without collusion b) Firms collude and fix prices c) Firms face kinked demand curves d) Firms maximise joint profits	K1	CO4
	8	Bertrand model of oligopoly focuses on a) Price competition b) Output competition c) Advertising competition d) Collusive pricing	K2	CO4
5	9	Marris' model of the firm emphasises a) Profit maximisation b) Growth maximisation c) Sales maximisation d) Cost minimisation	K1	CO5
	10	Baumol's theory of sales maximisation assumes a) Managers aim for minimum costs b) Managers prefer higher profits c) Managers maximise sales revenue subject to minimum profit constraint d) Firms always collude	K2	CO5

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**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.	Explain the assumptions and properties of indifference curves.	K3	CO1
	OR			
	11.b.	Examine the relevance of Revealed Preference Theory.		
2	12.a.	Explain the Law of Variable Proportions with diagram.	K3	CO2
	OR			
	12.b.	Illustrate the Cobb-Douglas Production Function.		
3	13.a.	Analyse short-run equilibrium of a firm under Perfect Competition.	K4	CO3
	OR			
	13.b.	Distinguish between monopoly and monopolistic competition.		
4	14.a.	Explain Cournot's model of duopoly.	K4	CO4
	OR			
	14.b.	Examine the Kinked Demand Curve in oligopoly.		
5	15.a.	Explain Baumol's Sales Revenue Maximisation model.	K5	CO5
	OR			
	15.b.	Evaluate the Marris' model of managerial enterprise.		

**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	Critically examine Hicksian Revision of Demand Theory.	K3	CO1
2	17	Illustrate the concepts of Returns to Scale and Isoquants with examples.	K3	CO2
3	18	Examine the role of price discrimination in monopoly markets.	K4	CO3
4	19	Compare Cournot, Bertrand, and Stackelberg models of oligopoly.	K4	CO4
5	20	Explain Williamson's model of managerial discretion.	K5	CO5