PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MA DEGREE EXAMINATION DECEMBER 2022
(First Semester)

Branch – ECONOMICS

ADVANCED MICRO ECONOMIC THEORY-I

Time: Three Hours   Maximum: 50 Marks

SECTION-A (5 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks   (5 x 1 = 5)

1   The Cross Elasticity of demand between two complementary goods is
    (i)   Negative   (ii) Positive
    (iii) Unity   (iv) Zero

2   Iso quants are convex to origin because of
    (i)   Diminishing MRTS   (ii) Increasing MRTS
    (iii) Increasing returns to scale   (iv) Decreasing returns to scale

3   Product Differentiation is an important feature of
    (i)   Monopoly   (ii) Perfect Competition
    (iii) Monopolistic Competition (iv) Bilateral Monopoly

4   Stackelberg's model of oligopoly assumes that the output of the first firm is
    (i)   Diminishing   (ii) Increasing
    (iii) Constant   (iv) Minimum

5   A 'discretionary investment' in Williamson's model represents:
    (i)   a way of spending surplus profit
    (ii) an additional investment undertaken by managers in excess of that required
         for the normal operation of the firm.
    (iii) a gift by managers to shareholders by means of an additional dividend
    (iv) a free and anonymous gift by managers to charity

SECTION - B (15 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks   (5 x 3 = 15)

6   a)   What are the properties of indifference curve?
                    (or)
    b)   Write a short note on cross elasticity of demand.

7   a)   Explain the L-shaped long-run average cost curve.
                    (or)
    b)   Write a short note on elasticity of substitution.

8   a)   State the features of perfect competition.
                    (or)
    b)   Explain the short run equilibrium of firm under monopolistic competition.
                    (or)
9   a)   Explain the Bertrand solution of duopoly problem.
                    (or)
    b)   What are the features of oligopoly?

10 a)   Explain Bain's limit pricing theory.
                    (or)
    b)   Write a short note on Williamson's model of managerial discretion.

SECTION -C (30 Marks)
Answer ALL questions
ALL questions carry EQUAL Marks   (5 x 6 = 30)

11 a   Make an evaluation of Hicks' logical theory of demand.
OR
   b   Explain the various methods of measuring elasticity of demand.

12 a   Analyse the Cobb-Douglas production function.
OR
   b   Describe the law of Variable proportions.

13 a   Explain the equilibrium of the firm under perfect competition.
OR
   b   Describe the price and output determination under discriminating monopoly.

14 a   Explain price and output determination under price leadership by a dominant firm.
OR
   b   Analyse Sweezy's model of kinked demand curve.

15 a   Explain the Hall-Hitch version of full-cost pricing theory.
OR
   b   Describe Baumol's sales maximization model.

Z-Z-Z   END