PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MA DEGREE EXAMINATION MAY 2026
(First Semester)

Branch - **ECONOMICS**

ADVANCED MICROECONOMIC 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	The law of demand states that, ceteris paribus: a) Price ↑ → Demand ↑ b) Price ↑ → Demand ↓ c) Price ↓ → Demand ↓ d) None of these	K1	CO1
	2	Lancaster's approach to demand focuses on: a) Utility from goods b) Characteristics of goods c) Consumer equilibrium d) Income effect	K2	CO1
2	3	Iso-cost line shows: a) Combinations of output at same cost b) Combinations of inputs at same cost c) Combinations of utility at same cost d) None of these	K2	CO2
	4	The L-shaped long-run average cost curve is explained by: a) Traditional theory b) Modern theory c) Classical theory d) Keynesian theory	K2	CO2
3	5	In monopoly, the firm's demand curve is: a) Perfectly elastic b) Perfectly inelastic c) Less elastic than industry demand curve d) Same as industry demand curve	K1	CO3
	6	Price discrimination is possible when: a) Demand elasticity is uniform b) Demand elasticity differs between markets c) Marginal cost is zero d) None of these	K2	CO3
4	7	Stackelberg's model of oligopoly assumes: a) Firms move simultaneously b) One firm is a leader and others are followers c) Price rigidity d) Collusion among firms	K1	CO4
	8	Kinked demand curve suggests: a) Prices are highly flexible b) Prices are rigid c) Demand is perfectly elastic d) Firms always collude	K2	CO4
5	9	Williamson's model of managerial discretion focuses on: a) Profit maximisation b) Managerial satisfaction and discretion c) Consumer welfare d) Market regulation	K1	CO5
	10	Bain's limit pricing theory explains: a) How firms minimise costs b) How firms set prices to deter entry c) How firms maximise monopoly profits d) How firms collude in markets	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.	Explain Lancaster's characteristics approach to demand.	K2	CO1
		(OR)		
	11.b.	State and explain the Law of Demand with exceptions.		
2	12.a.	Distinguish between short-run and long-run cost curves.	K2	CO2
		(OR)		
	12.b.	Explain the modern theory of costs with diagram.		
3	13.a.	Examine monopoly equilibrium in short run.	K2	CO3
		(OR)		
	13.b.	Explain equilibrium under monopolistic competition.		
4	14.a.	Describe Stackelberg's duopoly model.	K2	CO4
		(OR)		
	14.b.	Explain the kinked demand curve and its significance.		
5	15.a.	Discuss Bain's Limit Pricing Theory.	K2	CO5
		(OR)		
	15.b.	Write a short note on 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	Compare and contrast Hicksian and Lancaster's approaches to demand.	K3	CO1
2	17	Explain the Law of Returns to Scale with suitable examples.	K3	CO2
3	18	Analyse the concept of price discrimination and its types.	K4	CO3
4	19	Compare Cournot, Bertrand, and Stackelberg oligopoly models.	K4	CO4
5	20	Critically examine Bain's Limit Pricing Theory.	K5	CO5

Z-Z-Z END