

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	In a simultaneous game, a "Dominant Strategy" is one that (i) Is chosen only if the opponent plays their best strategy (ii) Provides the highest payoff regardless of the opponent's choice (iii) Is only used in extensive form games (iv) Results in a Nash equilibrium only in Bertrand models	K1	CO1
	2	Backward induction is the primary tool used to find the equilibrium in (i) Simultaneous games (ii) Static games (iii) Dynamic/Sequential games (iv) Normal form games	K2	CO1
2	3	According to the Marginal Productivity Theory, in a competitive factor market, a firm hires labor until (i) Marginal Revenue equals Total Cost (ii) The price of the factor equals its Marginal Revenue Product (MRP) (iii) Average product is at its maximum (iv) The elasticity of technical substitution is zero	K1	CO2
	4	A "Bilateral Monopoly" situation occurs when there is (i) A single seller and many buyers (ii) Many sellers and a single buyer (iii) A single seller and a single buyer (iv) Two sellers and two buyers	K2	CO2
3	5	Walrasian General Equilibrium analysis focuses on (i) The equilibrium of a single market in isolation (ii) The simultaneous equilibrium of all markets in an economy (iii) The behavior of a single monopsonist (iv) Only the exchange of goods without production	K1	CO3
	6	In the Input-Output approach to General Equilibrium, we primarily study (i) Consumer surplus (ii) Inter-industry relationships and production requirements (iii) Game theory payoffs (iv) Risk pooling	K2	CO3
4	7	"Risk Spreading" typically involves (i) Concentrating all assets into one high-yield investment (ii) Dividing a large risk among many individuals or entities (iii) Ignoring sensitivity analysis (iv) Maximizing the cost of insurance	K1	CO4
	8	Mean-Variance Analysis is a core component used in (i) Portfolio Selection (ii) Determining Nash equilibrium (iii) Calculating the Product Exhaustion Theorem (iv) Walrasian excess demand	K2	CO4

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5		else worse off (iii) National income is equally distributed (iv) Market failure is completely eliminated		
	10	Which concept describes a situation where one party has more or better information than the other in a transaction? (i) Rawl's Theory of Justice (ii) Asymmetric Information (iii) The Theory of Second Best (iv) Technical Progress	K2	CO5

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.	Illustrate the difference between the Cournot and Stackelberg models of oligopoly.	K1	CO1
		(OR)		
	11.b.	Demonstrate how a game is represented in "Normal Form" versus "Extensive Form."		
2	12.a.	Analyze how factor pricing is determined under conditions of Monopsony.	K2	CO2
		(OR)		
	12.b.	Explain the "Product Exhaustion Theorem" and its significance in distribution theory.		
3	13.a.	Discuss the existence and stability conditions of a General Equilibrium.	K3	CO3
		(OR)		
	13.b.	Illustrate the General Equilibrium of Exchange using an Edgeworth Box diagram.		
4	14.a.	Critique the "Economics of Insurance" regarding how it manages risk and uncertainty.	K4	CO4
		(OR)		
	14.b.	Examine the behavior of a competitive firm under conditions of price uncertainty.		
5	15.a.	Discuss Arrow's Impossibility Theorem and its implications for Welfare Economics.	K4	CO5
		(OR)		
	15.b.	Compare "Adverse Selection" and "Moral Hazard" as outcomes of market failure.		

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	Evaluate the concept of Subgame Perfect Equilibrium. Use the "Backward Induction" method to solve a dynamic game application.	K3	CO1
2	17	"The elasticity of technical substitution and technical progress significantly alter factor shares." Validate this statement with reference to distribution theory.	K3	CO2
3	18	Compare the Partial Equilibrium approach with the General Equilibrium approach. Why is the Input-Output approach vital for understanding complex economies?	K4	CO3
4	19	Critique the Mean-Variance Analysis framework. How does it assist an investor in "Optimal Consumption" under uncertainty?	K5	CO4
5	20	"Rawl's Theory of Justice provides a more ethical framework for welfare maximization than Pareto Optimality." Critically analyze this statement.	K5	CO5

Z-Z-Z

END