PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MA DEGREE EXAMINATION MAY 2022
(Second Semester)

Branch – ECONOMICS

ADVANCED MICRO ECONOMIC THEORY - II

Time: Three Hours   Maximum: 50 Marks

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

1. The full cost includes
   a) Average direct costs   b) Average overhead costs
   c) Normal margin for profit   d) All the three.

2. Which one is not an assumption of marginal productivity theory of distribution?
   a) Perfect competition   b) Perfect mobility
   c) Law of constant returns   d) Full employment.

3. The demand for money is
   a) Positively related to the income level and the rate of interest
   b) Negatively related to the income level and the rate of interest
   c) Negatively related to the income level and positively related to the rate of interest
   d) Positively related to the income level and negatively related to the rate of interest.

4. "Any social decision rule must violate at least one of the implements of rational choice" – it is
   Explained in
   a) Theory of second best   b) Arrow's impossibility theorem
   c) Social welfare function   d) none of these.

5. Complete the following sentence "In a sensitivity analysis:
   a) We change parameter values to test their effect on the dynamics of the system"
   b) We change the values of time and/or space"
   c) We estimate the parameter values which better fit the experimental data"
   d) We predict and analyze equilibrium states"

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

6. (a) Analyse the Williamson's model of managerial discretion.
                    (OR)
   (b) Evaluate the Bain's limit pricing.

7. (a) State the main ideas of Neo classical approach.
                    (OR)
   (b) Illustrate the determination of Rent.

8. (a) National income as a measure of economic welfare - Justify.
                    (OR)
   (b) Show the Asymmetric information.

9. (a) Explain the Partial equilibrium.
                    (OR)
   (b) State the meaning of General equilibrium.

10.(a) Sketch the expected utility and uncertainty.

(OR)

(b) Explain the economics of insurance.

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

11. (a) Appraise Baumol's sales revenue maximistion model.

(OR)

(b) Elucidate the Sylos – Labini's model.

12. (a) Evaluate Marginal productivity theory.

(OR)

(b) Analyse the Product exhaustion theorem.

13. (a) Construct the theory of second best.

(OR)

(b) Criticize Arrow's impossibility theorem.

14. (a) Create walrasian excess demand and input –output approaches to general equilibrium.

(OR)

(b) Justify the stability and uniqueness of equilibrium and general equilibrium.

15. (a) Design the sensitivity analysis.

(OR)

(b) Plan the Optimal consumption under uncertainty.

Z-Z-Z   END