PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MA DEGREE EXAMINATION MAY 2024
(Second Semester)

Branch - **ECONOMICS**

ADVANCED MICRO ECONOMIC 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	The size of the payoff matrix of a game can be reduced by using the principle of _____. a. Game inversion b. Rotation reduction c. Dominance d. Game transpose	K1	CO1
	2	In case, there is no saddle point in a game then the game is _____. a. Deterministic game b. Mixed strategy game c. Fair game d. Multiplayer game	K2	CO1
2	3	A firm's demand for labour curve is also _____. a. Its value of marginal product curve b. The supply of labour curve c. The demand curve for the good it produces d. Its marginal cost curve	K1	CO2
	4	The return to a factor of production which is fixed in supply in the short period is called _____. a. Scarcity rent b. Economic rent c. Quasi rent d. Contractual rent	K2	CO2
3	5	Welfare economics is primarily concerned with _____. a. Maximizing social welfare and utility b. Maximizing individual utility c. Maximizing government revenue d. Maximizing economic growth	K1	CO3
	6	Arrow's impossibility theorem is a _____ paradox illustrating the flaws of ranked voting systems. a. Individual choice b. Government choice c. Social choice d. Candidate choice	K2	CO3
4	7	The type of equilibrium that deals with the determination of price and quantity of only in one market is known as _____. a. General equilibrium b. Partial equilibrium c. Zero equilibrium d. Pareto efficiency	K1	CO4
	8	Leon Walras believed that a solution to the economic system was possible if the number of behavioural equations was _____ the number of unknowns. a. Greater than b. Equal to c. Less than d. Zero	K2	CO4
5	9	A gamble can be described as "fair" if the expected value of the gamble (including any costs of play) is _____. a. Positive b. Zero c. Negative d. One	K1	CO5
	10	Risk averse individual will diversify their investments because this will _____. a. Increase their expected returns b. Provide them with some much – needed variety c. Reduce the variability of their returns d. Reduce their transactions costs	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.	Are dominant strategy always Nash equilibrium? Is the converse true? Explain.	K2	CO1
		(OR)		
	11.b.	Demonstrate how oligopolist firms that choose prices can be modeled using game theory.		
2	12.a.	Make clear the Philip Wicksteed solutions to Euler's theorem.	K3	CO2
		(OR)		
	12.b.	Explain the Kalecki's monopoly theory of profit.		
3	13.a.	Identify how asymmetric information can affect principle agent relationship.	K3	CO3
		(OR)		
	13.b.	Construct the role of value judgment in welfare economics.		
4	14.a.	General equilibrium takes into account inter – dependence and inter relationship between different markets – Comment.	K4	CO4
		(OR)		
	14.b.	Examine the problems arise in connection with general equilibrium.		
5	15.a.	List out the significance of the mean variance portfolio theory in portfolio selection.	K4	CO5
		(OR)		
	15.b.	Distinguish the individual choice between insurance and gambling.		

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	From the following payoff matrix, where the payoffs refer to the profits firms earn by cheating and not cheating in a cartel:	K4	CO1

		Firm B	
Firm A		Cheat	Don't Cheat
	Cheat	(3, 2)	(9, 1)
	Don't Cheat	(2, 6)	(7, 4)

a. Determine the Nash equilibrium in pure strategy.
b. What if we change the payoff of bottom left cell to (4,4)?

2	17	Critically evaluate the Keynes' Liquidity Preference theory of interest.	K4	CO2
3	18	Analyze the role of Arrow's impossibility theorem in maximize social welfare.	K4	CO3
4	19	Draw the Edge worth box and show how general equilibrium is attained in exchange.	K4	CO4
5	20	Examine the relationship between risk preference and attainment of expected utility among the individuals with suitable example.	K4	CO5

Z-Z-Z END