

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BA DEGREE EXAMINATION DECEMBER 2019
(Second Semester)

Branch-ECONOMICS

MICRO ECONOMICS - II

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks!)

Answer ALL questions

ALL questions carry EQUAL marks (10 x 1 = 10)

- 1 Short run cost curves are influenced by
 - (i) Principle of returns to scale
 - (ii) Law of variable proportions
 - (iii) External economies and diseconomies
 - (iv) Law of supply
- 2 The marginal cost curve intersects the average cost curve when average cost is
 - (i) Maximum
 - (ii) Minimum
 - (iii) Rising
 - (iv) Falling
- 3 A perfectly competitive firm will always expand output as long as
 - (i) Rising marginal cost is less than price
 - (ii) Rising marginal cost is less than the marginal revenue
 - (iii) Rising marginal cost is less than average cost
 - (iv) None of the above
- 4 A firm practicing price discrimination will be
 - (i) Charging different prices for different qualities of a product
 - (ii) Buying in the cheapest and selling in the dearest markets
 - (iii) Charging different prices in different markets for a product
 - (iv) Buying only from firms selling in bulk at a distance
- 5 In Monopolistic competition, we have large number of
 - (i) Firms selling differentiated product
 - (ii) Few firms selling different product
 - (iii) Few firms selling a homogenous product
 - (iv) Large number of firms selling homogenous product
- 6 If an oligopolist incurs losses in the short run, then in the long run
 - (i) He will go out of business
 - (ii) He will stay in business
 - (iii) He will break even
 - (iv) Any of the above is possible
- 7 Collective bargaining refers to
 - (i) Inter-union discussions aimed at resolving an industrial dispute
 - (ii) Negotiation between employer's associations and worker's unions
 - (iii) The determination of factor prices in a collectivist economy
 - (iv) Government-trade union discussion on industrial legislation
- 8 The concept of quasi - rent means
 - (i) The wages to the workers
 - (ii) The rents shared by landlord and workers
 - (iii) The interest paid to a petty shopkeeper
 - (iv) The return to a factor of production which is fixed in supply in the short period only
- 9 Liquidity preference is the term which is used to refer to
 - (i) The reserve bank of India's shareholdings in other financial institutions
 - (ii) The extent to which investors prefer to keep their assets in money
 - (iii) The community's preference for a gold backed currency
 - (iv) The community's effective demand for capital goods

- 10 Perfectly competitive economy will yield a pareto-efficient allocation of resources because
 (i) Prices adjust to clear such markets (ii) All participants are price-takers
 (iii) All participants optimise (iv) All of the above

SECTION - B (25 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** Marks (5 x 5 = 25)

- 11 a Why the short run average cost curve is “U” shaped?
 OR
 b Bring out the relationship between AC and MC curves.
- 12 a Explain the features of perfect competition.
 OR
 b Elucidate the characteristics of monopoly.
- 13 a State the features of monopolistic competition.
 OR
 b How does Chamberlin explain group equilibrium in the context of product differentiation?
- 14 a Briefly explain the optimum theory of population.
 OR
 b Write a note on the wage fund theory.
- 15 a State Schumpeter’s innovation theory of profit.
 OR
 b Summarize the Kaldor - Hicks welfare criterion.

SECTION -C (40 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** Marks (5 x 8 = 40)

- 16 a Discuss the various objectives of a firm.
 OR
 b Trace the relationship between AR, MR and TR in the perfect competition.
- 17 a How does a firm reach equilibrium under perfect competition in the short and long runs?
 OR
 b Explain the determination of price and output under monopoly.
- 18 a Explain the features of oligopoly. Also explain the meaning of kinked demand curve in an Oligopolistic market.
 OR
 b Give a brief outline of Cournot and Edgeworth models of duopoly and highlight the essential differences between them.
- 19 a Analyze the marginal productivity theory of distribution.
 OR
 b Critically explain the Ricardian theory of rent.
- 20 a Explain the liquidity preference theory of interest. Also explain its limitations.
 OR
 b State and explain Pareto optimality criterion. Also state how far it is useful