(6 pages)

Reg. No. : .....

Code No. : 8684 **Sub. Code : KESM 21/ PESM 21**

M.A. (CBCS) DEGREE EXAMINATION, APRIL 2019.

Second Semester

Economics — Core

ADVANCED MICRO ECONOMIC THEORY — II

(For those who joined in July 2016 and afterwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. A behavioural model of rational choice published in the quarterly journal of economics in _____.

(a) 1955 (b) 1965

(c) 1975 (d) 1985

2. Game theory is the study of Mathematical models of strategic interaction between ration _____.

(a) businessman (b) decision-makers

(c) entrepreneurs (d) people

3. Euler's theorem assumes a linear _____ production function of first degree.

(a) heterogeneous (b) mixed

(c) homogeneous (d) none of the above

4. Modern analysis treats the problem of determination of rent in the familiar framework of _____.

(a) Stock and flow

(b) Dependent and Independent variable

(c) Price and demand

(d) Demand and supply

5. _____ economics is concentrate with 'what is'.

(a) Positive (b) Negative

(c) Welfare (d) General

6. The social welfare function was introduced by _____.

(a) Arrow (b) Tintner

(c) Samuelson (d) Bergson

7. Impossibility theorem was given by

(a) Arrow (b) Pigou

(c) Pareto (d) Marshall

8. Pareto optimality refers to the state of _____.

(a) Maximum production

(b) Maximum consumption

(c) Maximum investment

(d) Maximum social welfare

9. In economics and finance, risk aversion is the behaviour of _____.

(a) Business (b) Entrepreneurs

(c) Humans (d) Policy makers

10. If they would accept the bet oven when guaranteed payment is more _____.

(a) risk touing (b) risk neutral

(c) risk average (d) risk

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Define Game theory.

Or

(b) State the cyert and march model of pricing.

12. (a) Give an account of Euler's theorem.

Or

(b) Briefly explain the modern theory of rent.

13. (a) What is externalities?

Or

(b) Mention the assumptions of maximisation of social welfare.

14. (a) Define Pareto optimality.

Or

(b) State the theory of second best.

15. (a) Write the meaning of formalization of uncertanity.

Or

(b) Mention the risk aversion.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Describe Baumolls theory of sales revenue maximization.

Or

(b) Critically examine the Game Theory.

17. (a) Explain Marxian theory of distribution.

Or

(b) Illustrate Shackle's theory of profit.

18. (a) Analyse the Pigovian Welfare economics.

Or

(b) Evaluate the social welfare function.

19. (a) Discuss Arrow's impossibility theorem.

Or

(b) Explain the general equilibrium analysis of 2 × 2 × 2 model.

20. (a) Describe Expected utility model of risk.

Or

(b) Explain principles of risk management.

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