(6 pages) **Reg. No. :** .....

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

M.A. (CBCS) DEGREE EXAMINATION, APRIL 2018.

Second Semester

Economics

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. Williamson's Managerial utility function does not include

   (a) Staff expenditure

   (b) Managerial emoluments

   (c) Discretionary profit

   (d) Discretionary investment

2. Prisoners dilemma is an example of

   (a) Sub optimal solution in Game theory

   (b) Mixed Strategy in Game Theory

   (c) Saddle point solution in Game theory

   (d) Zero Sum Game

3. Product is exhausted when factors are paid according to their respective marginal products provided the production function is homogeneous of degree (n), where

   (a) $N = 2$ (b) None

   (c) $N < 2$ (d) $N = 1$

4. Prisoners dilemma games is associated with

   (a) Stigler (b) Tucker

   (c) Watson (d) Luce

5. Welfare Economics began with

   (a) Adam Smith (b) Scitovsky

   (c) A.C. Pigou (d) Pareto

6. Contract curve is also known as

   (a) Offer curve (b) Supply curve

   (c) Demand curve (d) Conflict curve

7. Windfall profit accrues because of

(a) Skilled Management

(b) Monopoly market

(c) Expected circumstance

(d) Efficient machinery and labour

8. Pareto optimality refers to the state of

(a) Maximum social welfare

(b) Maximum investment

(c) Maximum consumption

(d) Maximum production

9. A solution of Walrasian General Equilibrium will exist if and, only if

(a) Condition of fixed point theorem is satisfied

(b) Pareto's condition of optimality is satisfied

(c) Hicks stability conditions are satisfied

(d) The condition of Pareto's law of income distribution

10. The case where one party has better information about the probability of the outcome

(a) Symmetric information

(b) Full knowledge

(c) Rationality

(d) Asymmetric information

PART B — (5 × 5 = 25 marks)

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

Each answer should not exceed 250 words.

11. (a) Explain how the firm attains equilibrium under Williamsons Model.

Or

(b) Brief a note on Marries Model of Growth Maximization.

12. (a) Describe, in brief, the Ricardian Theory of Distribution.

Or

(b) Write a note on Modern Theory of Profits.

13. (a) Explain the assumptions of Pigouvian Welfare Economics.

Or

(b) Explain the tradeoff between efficiency and equity.

14. (a) Write a brief note on Theory of Second Best.

Or

(b) Describe the concept of Social Welfare.

15. (a) Explain the properties of utility function.

Or

(b) Give an account on Risk loving.

PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) Evaluate Baumol's Theory of Sales Maximisation.

Or

(b) Analyse the Game Theory.

17. (a) Critically examine the Kalecki Theory of Distribution.

Or

(b) Explicate the Product Exhaustion Theorem.

18. (a) Pareto optimality is a Myth-Discuss.

Or

(b) Explain Scitovsky Compensation Criteria.

19. (a) Narrate the Walrasian 2*2*2 Model.

Or

(b) Examine the Arrow's Impossibility Theorem.

20. (a) Examine the behavior of an individual towards risky choices.

Or

(b) Critically evaluate Expected Utility Theory.

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