(6 Pages)

Code No. : 5268   Sub. Code : KESM 21/
                                         PESM 21

M.A. (CBCS) DEGREE EXAMINATION, APRIL 2021.

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. Which of the following is not an objectives of behavioural economists?

    (a) Sales maximization

    (b) Ethical maximisation

    (c) Profit maximization

    (d) Market size maximisation

2. According to Growth Maximisation Theory of Marris, modern big firms are managed by

    (a) Share holders   (b) Managers

    (c) Both (a) and (b)   (d) Neither (a) or (b)

3. According to Marxian theory of distribution the Total value output is equal to

    (a) Constant capital

    (b) Variable capital

    (c) Surplus value

    (d) All the above

4. Profit is a reward of

    (a) Land   (b) Labour

    (c) Capital   (d) Organisation

5. Which of the following competition leads to a Pareto-optimal general equilibrium?

    (a) Perfect competition

    (b) Monopolistic competition

    (c) Oligopolistic competition

    (d) Monopoly

6. According to Pareto, "no-one could be made better off without making someone else worse off" is known as

    (a) Pareto optimality   (b) Pareto criterion

    (c) Both (a) and (b)   (d) Neither (a) or (b)

7. The theory of the second best was developed for the
   (a) Walrasian general equilibrium system
   (b) Pareto optimality conditions
   (c) Behavioural theory
   (d) None of the above

8. Which of the following is not a condition of Arrow's impossibility theorem?
   (a) Rationality
   (b) Individual preferences
   (c) Non-dictatorial
   (d) Relevant to alternatives

9. Risk aversion related to
   (a) Prefer the higher-risk option
   (b) Sharing the risk
   (c) Prefer the lower-risk option
   (d) None of the above

10. The selling of insurance in multiple areas to multiple policy holders to minimize the danger that all policy holders will have losses at the same time
    (a) Risk seeking   (b) Risk spreading
    (c) Risk tax   (d) Externalities

PART B — (5 × 5 = 25 marks)

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

Each answer should not exceed 250 words.

11. (a) What are the different organisational goals of Cyert and Match?

Or

(b) Discuss the applications of game theory for decision making process.

12. (a) What do you mean by transfer earning? How do they help in determining rent?

Or

(b) "Profit is the Reward for Successful Innovation" — Comment this statement.

13. (a) Illustrate the marginal conditions of Pareto optimality.

Or

(b) Explain the Pigovian welfare conditions.

14. (a) State the assumptions of Walrasian general equilibrium analysis.

Or

(b) Describe the theory of second best.

15. (a) Why do people demand for insurance?

Or

(b) Give an account of 'Risk Spreading'.

PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) Make clear note on Baumol's Sales maximisation model.

Or

(b) Critically discuss the Behavioural theory of firm.

17. (a) Give a detailed note on Eluer's theorem.

Or

(b) Examine the Kaldor's theory of distribution.

18. (a) Analyse the Pareto's three conditions for achievement of economic efficiency.

Or

(b) Analyse the Kaldor – Hicks criterion for an improvement in general welfare.

19. (a) Explain the general equilibrium of exchange and production under two actors, two individuals and two goods model.

Or

(b) Assess the Arrow's impossibility theorem.

20. (a) What are the properties of utility functions and probabilities?

Or

(b) Elucidate the different choices under uncertainty.

_____