Reg. No. : ....

Name : ....

II Semester M.A. Degree (CBSS – Reg./Supple./Imp.) Examination, April 2022
(2018 Admission Onwards)
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
ECO2C05 : Microeconomic Theory – II

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. **All** questions carry **equal** marks.

1. According to Arrow

   I) Social welfare cannot be evaluated by a democratic vote.

   II) The social welfare choices should be transitive

   A) Statement I alone is correct

   B) Statement II alone is correct

   C) Statements I and II are correct

   D) Statements I and II are incorrect

2. Quasi rent equals

   A) Total Revenue – Total Cost

   B) Total Revenue – Total Fixed Cost

   C) Total Revenue – Total Variable Cost

   D) Total Revenue – Average Variable Cost

3. The basic assumption of Baumol's static models do not include

    A) Conventional cost and revenue function

    B) The firm attempts to maximize its total sales revenue subject to a profit constraint

    C) The minimum profit constraint is exogenously determined by the demands and expectation of the shareholders, the banks and other financial institutions

    D) Profit is an instrumental variable whose value is endogenously determined

4. Limit pricing is a pricing strategy to

    A) Encourage competition

    B) Discourage entry

    C) Encourage sales

    D) Maximize sales revenue

5. Who among the following mounted 'a root-and-branch attack' on the notion of profit maximization in 1939 ?

    A) Hall and Hitch

    B) Andrews

    C) Lester

    D) Gordon

6. Which among the following is not an assumption of the neoclassical theory of the firm ?

    A) The entrepreneur is also the owner of the firm

    B) The firm has a single goal, that of profit maximization

    C) This goal is attained by application of the average cost principle

    D) The firm acts with a certain time-horizon which depends on various factors, such as the rate of technological progress, the capital intensity of the methods of production, the nature and gestation period of the product, etc.

7. Social welfare function is of limited practical significance in the opinion of

    A) Little

    B) Streeten

    C) Baumol

    D) All the above

8. The theory of the firm developed by Cyert and March

    A) Growth theory

    B) Decision-making theory

    C) Sales maximization theory

    D) Behavioural theory

(8×½=4)

PART – B

Answer **any eight** questions. **Each** question carries **2 marks. No** answer should exceed **one** page.

9. What are the determinants of the entry gap and the entry-preventing price according to Franco Modigliani ?

10. What is product exhaustion theorem ?

11. Distinguish between pure and mixed strategies.

12. Explain mark up rule of pricing.

13. What do you mean by bliss point ?

14. What is capital-deepening technical progress ?

15. What is the policy implication of Kaldor's analysis of distribution ?

16. Prepare a note on decision theory.

17. Point out the basic assumptions of the neoclassical theory of the firm.

18. Explain prisoner's dilemma.

19. Quasi-rent is a payment which is almost rent but is not exactly economic rent. Explain.
                                                                    (8×2=16)

PART – C

Answer **any four** questions. **Each** question carries **5 marks.** No answer should exceed **2½** pages.

20. Prepare a note on theory of the second best.

21. Explain Ricardian concept of rent.

22. Discuss the marginal conditions of Pareto optimality.

23. Summarize macroeconomic models of distribution.

24. Explain Scitovsky criterion.

25. Distinguish between positive externality and negative externality. Give examples.   **(4×5=20)**

PART – D

Answer **any two** questions. **Each** question carries **10** marks. No answer should exceed **6** pages.

26. Explain Marris's model of the managerial enterprise.

27. Discuss the general equilibrium theory of Walras.

28. Summarize the Hall and Hitch report and the 'Full-Cost' pricing principle.

29. Discuss the causes of backward-bending supply curve of labour. Analyze the role of trade unions in determining input prices.   **(2×10=20)**