Department of Economics Central University of Jammu

End Term Examination 2017
M.A Economics Semester-II
Course No. PGECO2C001T

Course Title: Microeconomic Theory and Applications

Time Allotted: 3 hours Max Marks:100

Section A- Each part of this question carries 1.5 marks.

1.5*10=15

Q1) E	incircle the correct answer			
i)	Bain's "Condition of Entry" was defined as the margin by which established firms could raise their price above the competitive price level persistently without attracting entry. That is a) $P_L = P_C(1+E)$ b) $P_C = P_L(1+E)$ c) $P_L = P_C(1-E)$ d) None of these			
ii)	Linear Programming is a technique for solving constrained optimization problems when the objective function and constraints are			
	a) Quadratic b) Exponential c) Non Linear d) Linear			
iii)	The total sales revenue is maximum where elasticity of demand equals to and the slope of the TR curve is equal to			
	a) Zero, One b) One, Zero c) One, One d) One, One			
iv)	If production or consumption involves a positive externality, then the competitive output will be than/to socially optimal output.			
	a) Equal b) More c) Less d) None of these			
v)	Which of the following models stresses the trade-off between the growth rate and the valuation ratio of the firm?			
	a) Baumol's Model b) Williamson's Model c) Marris's Model d) None of these			
vi)	A lump-sum profit tax will not affect output under maximization but may reduce output under maximization.			
	a) Sales, Profit b) Profit, Sales c) Utility, Profit d) None of these			
vii)	Under competition, the input supply curve facing the firm is			
	b) Perfectly Inelastic b) Perfectly Elastic c) Unitary Elastic d) None of these			

viii	is a technique for s different sectors of the economy		erdependence among the	
	a) Linear Programming c) Input-Output Analysis	b) Partial Equ d) None of th	uilibrium Analysis nese	
ix)	c information is the market for			
	a) George A Akerlof b) J	E Stiglitz c) K J A	Arrow d) T Scitovsky	
x)	Firm ABC produces and sells be workers in a perfectly competit demand curve for ABC's batter	ive market. Which of	the following best describes the	
	Demand for ABC's Batterio	es ABC's	Labour Demand	
	a) Horizontal		Horizontal	
	b) Horizontal		Downward Sloping	
	c) Horizontal		Vertical	
	d) Downward Sloping		Vertical	
Section	B: Short Answer type Questions			
	Attempt any five questions		8*5=40	
Q2)	What are the variables affecting the	utility function of the	managers and owners in	
(2)	Marris' model?	anning random or me	managers and states and	
		Or		
	What are the important elements of	Cyert and March beha	avioural theory of the firm?	
Q3)	Discuss the problems of existence, uniqueness and stability of general equilibrium. Or			
	What is meant by general equilibrium and explain general equilibrium in case of production and consumption?			
Q4)	In the case of consumption, does every point on the Edgeworth contract curve represent a Pareto improvement over a point not on the curve? Develop your argument for this. Or			
	Explain Arrow Impossibility Theor	em and discuss its use	in voting.	
06)	How can a firm be a monopolist in	the output market and	face a perfectly electic input	
Q5)	Supply curve? Give an example of		race a perfectly elastic input	
		0		
	Discuss the wicksteed's solution of	Or f product exhaustion p	roblem with Euler's theorem.	

Q6) Discuss risk pooling and sharing as methods of reducing risk in the insurance markets.

Or

Why can asymmetric information between buyers and sellers lead to market failure when a market is otherwise perfectly competitive?

Section C: Long Answer type Questions Note: Attempt any three questions

15*3=45

- Q7) Discuss marginalist controversy? Give a comparison between marginalism and average cost pricing. Provide supportive evidence in favour of full cost pricing principle along with its criticism.
- Q8) Differentiate between partial and general equilibrium. Give excess demand approach to general equilibrium analysis.
- Q9) What is the Pareto efficiency? Discuss the advantages and disadvantages of the Pareto efficiency as a tool of management description. Discuss the idea that competitive market equilibrium leads to pareto efficient allocation. Under what conditions you should agree with such a viewpoint.
- Q10) Assume that workers whose incomes are less than Rs 10,000 currently pay no income taxes. Suppose a new government program guarantees each worker Rs 5000, whether or not he or she earns any income. For all earned income up to Rs 10,000, the worker must pay a 50% tax. Draw the budget line facing the worker under this new program. How is the program likely to affect the labor supply curve of workers?
- Q11) What do you mean by Asymmetric information? With the help of Lemons problem, explain how asymmetric information leads to adverse selection.