KAMARAJ COLLEGE (Autonomous)

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(Affiliated to Manonmaniam Sundaranar University, Tirunelveli)

(3 Pages) **Reg. No: ……………………………………………**

Question Code: 26E01006 **Course Code : 24PMEC11/25PMEC11**

PG Degree - End Semester Examinations, April 2026

First Semester

M.A. ECONOMICS

Advanced Micro Economics

(For those who joined in July 2024 and June 2025 onwards)

Time : 3Hours **Maximum : 75 Marks**

PART – A (10 × 1 = 10 Marks)

Answer ALL Questions

Choose the correct answer :

CO:1 K:1 1. The cardinal utility approach was first developed by

(a) Alfred Marshall (b) J.R. Hicks

(c) Paul Samuelson (d) J.M. Keynes

CO:1 K:1 2. Slutsky's method divides the price effect into

(a) Income effect and substitution effect (b) Price effect and utility effect

(c) Income effect and cost effect (d) Demand effect and supply effect

CO:2 K:2 3. The problem of adverse selection arises mainly in

(a) Labour market (b) Insurance market

(c) Product market (d) Monopoly market

CO:2 K:1 4. "Market for Lemons" is associated with

(a) Joseph Stiglitz (b) George Akerlof

(c) Milton Friedman (d) Paul Krugman

CO:3 K:1 5. In perfect competition, in the long run a firm earns

(a) Super normal profit (b) Normal profit only

(c) Loss always (d) Monopoly profit

CO:3 K:1 6. Which field incorporates Nash Equilibrium as a core concept?

(a) Monopoly (b) Game theory

(c) Price discrimination (d) Contestable market

CO:4 K:1 7. __________ developed full cost pricing theory.

(a) Bain (b) Hall and Hitch

(c) Sylos Labini (d) Modigliani

CO4: K:1 8. Peak Load Pricing is useful in the case of

(a) Seasonal demand (b) Monopolistic market

(c) Perfect competition (d) Labour market

CO:5 K:1 9. The Product Exhaustion theorem is connected with

(a) Rent (b) Profit

(c) Distribution theory (d) Monopoly

CO:5 K:1 10. The modern theory of wages emphasises

(a) Labour exploitation (b) Marginal productivity

(c) Collective bargaining (d) Demand and supply of labour

PART – B (5 X 5 = 25 Marks)

Answer ALL Questions choosing either (a) or (b).
Answer should not exceed 250 words.

CO:1 K:3 11. (a) Illustrate the concept of Indifference Curve.

(OR)

(b) Write a short note on consumer surplus.

CO:2 K:4 12. (a) Analyse how Informational Asymmetry affects insurance markets.

(OR)

(b) Discover the problem of Moral Hazard in employer–employee contracts.

CO:3 K:3 13. (a) Apply the concept of Price Discrimination to real monopoly situations.

(OR)

(b) Show why Excess Capacity arises in Monopolistic Competition and include the proper example.

CO:4 K:4 14. (a) Analyse the features of Bain's Limit Pricing Theory.

(OR)

(b) Examine the working of Administered Pricing in public utilities.

CO:5 K:3 15. (a) Apply the Marginal Productivity Theory to explain wage differences.

(OR)

(b) Show how Collective Bargaining is used in fixing wages.

PART – C (5 X 8 = 40 Marks)

Answer ALL Questions choosing either (a) or (b).
Answer should not exceed 600 words.

CO:1 K:5 16. (a) Analyse Slutsky's decomposition of price effect into substitution and income effects.

(OR)

(b) Outline the Revealed Preference Theory and its limitations.

CO:2 K:5 17. (a) Evaluate Akerlof's "Market for Lemons" theory in modern markets.

(OR)

(b) Examine the possible solutions to the Principal–Agent problem.

CO:3 K:4 18. (a) Explain the Cournot and Bertrand models of duopoly.

(OR)

(b) Analyse the Stackelberg model of Oligopoly with a suitable diagram.

CO:4 K:5 19. (a) Evaluate the Sylos-Labini model of firm its behaviour.

(OR)

(b) Critically evaluate the usefulness of Linear Programming in firm's decision making.

CO:5 K:6 20. (a) Propose an integrated theory of distribution combining classical and modern views.

(OR)

(b) Design a new framework to explain profit determination in digital economy firms.