



CONTINUOUS INTERNAL ASSESSMENT II – April 2025

Class: I PG

Max. Marks: 60

Major/Branch: Economics

Time: 2 hrs

Paper Code/ Title: 23MECC07/ Micro Economic Theory-II

Course Learning Outcomes:

1. Knowledge about market structure, factor pricing and welfare.
2. Understand the different approaches to the theory of firm and distributions.
3. Comprehend the implications of General equilibrium analysis.
4. Evaluating the conditions for optimality.
5. Evolving policy measures for welfare maximisations.

Part- A

Circle Correct the Answer

(1 X6=6)

1. A monopolistically competitive firm has excess capacity because in the? CO1K2
 - a) long run it earns an economic profit
 - b) short run its ATC is less than its AVC
 - c) short run its MR exceeds its MC
 - d) long run its ATC exceeds its minimum ATC
2. In an oligopoly with a collusive agreement, the total industry profits will be smallest when? CO2K1
 - a).the firms act as a monopoly
 - b) all firms comply with the agreement
 - c) all firms cheat on the agreement
 - d) one firm cheats on the agreement and the other firms do not cheat.
3. According to Kaldor-Hicks compensation criteria, the proposed change will increase the social welfare if CO3K1
 - a). The gains are equal to the losses
 - b). The gains are greater than the losses
 - c). The losses are greater than the gains
 - d). None of the above
4. If a duopoly has a collusive agreement that maximizes joint profit, then each duopolistic has CO2K3
 - a) an incentive to cheat by raising its price
 - b). no incentive to cheat
 - c) an incentive to cheat by lowering its price
 - d) an incentive to cheat by decreasing its output.
5. The Fundamental Theorem of Welfare Economics CO5K1
 - a). shows that the allocation of resources generated by a complete system of perfectly competitive markets results in all consumers attaining the same utility level
 - b).refers to the biblical observation that “the poor ye shall always have with you”
 - c). Implies that no intervention in the workings of markets can be justified on efficiency grounds
 - d). Holds that the allocation of resources generated by a complete system of perfectly competitive markets is Pareto efficient
6. The concept of Social Welfare function was firstly introduced by CO4K1
 - a). Pareto
 - b). Kaldor
 - c). Bergson
 - d). Samuelson

Part - B

Answer the following questions

(3X6=18)

- 7 a. Explain Monopsonistic exploitation of labour-wage determination under bilateral monopoly (or) CO3K1
 - a. Explain the role of trade unions in increasing wages CO4K1
- 8 a. Write down the merits and demerits of general equilibrium model (or) CO4K2
 - a. Examine the welfare maximization under perfect competition CO3K2
- 9 a. Illustrate the marginal productivity theory of distribution with help of diagram CO5K4
 - a. Describe the Marginal conditions for Pareto Optimality CO5K5

Part – C

Answer the following questions

(3X12=36)

- 10 a. Elaborately describe Monopsonistic exploitation of labour (or) CO3K3
 - a. Discuss elasticity of substitution, factor shares and how determining of factor share under imperfect competition CO4K4
- 11 a. What is the meaning of functional distribution? Explain how they determine the factor share under perfect competition (or) CO3K3
 - a. Discuss the Classical theories of welfare economics with diagram explanation. CO4K2
- 12 a. Examine Bergson’s social welfare function and Arrows impossibility theorem (or) CO5K1
 - a. Critically describe the theories of Kaldor Hicks compensation criteria and Scitovsky’s double criteria of welfare with help of diagram? CO5K4

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