



Avinashilingam Institute for Home Science and Higher Education for Women

Deemed to be University Estd. u/s 3 of UGC Act 1956, Category A by MHRD (now MoE)

Re-accredited with A++ Grade by NAAC. CGPA 3.65/4, Category I by UGC

Coimbatore - 641 043, Tamil Nadu, India

Master's Degree Examination – May 2025

II Semester

Class : I P.G.
Major : Economics

Time: 3 Hours
Max. Marks: 100

23MECC07 Micro Economic Theory II

Course Outcomes:

- CO1: Knowledge about market structure, factor pricing and welfare.
CO2: Understand the different approaches to the theory of firm and distributions.
CO3: Comprehend the implications of General equilibrium analysis.
CO4: Evaluating the conditions for optimality.
CO5: Evolving policy measures for welfare maximisations.

Part A

10 x 1 = 10

Choose the Correct Answer

- Which of the following is a feature of perfect competition? CO1K1
 - Price rigidity
 - Large number of buyers and sellers
 - Product differentiation
 - None of the above
- The long-run equilibrium of a firm under perfect competition occurs when: CO1K2
 - $AR > AC$
 - $MC > MR$
 - $AR = AC$
 - $MR = AC$
- In monopolistic competition, firms differentiate their products mainly through: CO2K2
 - Price variation
 - Advertising and branding
 - Government regulation
 - None of the above
- Discriminating monopoly occurs when: CO2K3
 - A firm charges different prices for the same product in different markets
 - A firm sells at a loss
 - A firm restricts supply
 - None of the above
- Baumol's sales maximization model assumes that: CO3K2
 - Firms aim to maximize total revenue instead of profit
 - Firms operate under perfect competition
 - There are no advertising costs
 - None of the above
- In general equilibrium theory, the circular flow of income represents: CO3K2
 - Interaction between households and firms
 - Government intervention
 - International trade
 - None of the above
- The elasticity of substitution measures: CO4K2
 - The ability to substitute one factor for another
 - The proportion of capital in production
 - The change in demand for a product
 - None of the above
- Monopsonistic exploitation of labour occurs when: CO4K3
 - A single buyer of labour pays less than the marginal revenue product of labour
 - There are multiple buyers of labour
 - The government sets minimum wages
 - None of the above
- According to Kaldor-Hicks compensation criteria: CO5K2
 - A policy is desirable if gainers can compensate the losers
 - Welfare is maximized when income is equally distributed
 - The government plays no role in welfare economics
 - None of the above

10. Arrow's impossibility theorem states that: CO5K2
- a. No social welfare function can satisfy all reasonable criteria
 - b. Perfect competition leads to welfare maximization
 - c. Government intervention is unnecessary
 - d. None of the above

Part B

5 x 6 = 30

Answer ALL questions

Each answer should not exceed 400 words or two pages

- 11.a. Explain the characteristics of perfect competition and how firms attain equilibrium in the short and long run. CO1K3
- (or)
- 11.b. Discuss the concept of price rigidity under oligopoly with suitable examples. CO1K2
- 12.a. Elaborate on Baumol's sales maximization model and its implications for firm behaviour. CO2K3
- (or)
- 12.b. Describe Williamson's managerial discretion model and how it differs from profit maximization. CO2K2
- 13.a. Explain the assumptions and significance of the general equilibrium model. CO3K4
- (or)
- 13.b. Discuss the merits and demerits of general equilibrium theory. CO3K4
- 14.a. Define functional distribution and explain how factor shares are determined under perfect competition. CO4K3
- (or)
- 14.b. Analyze the role of trade unions in increasing wages and improving labour conditions. CO4K3
- 15.a. Discuss the Scitovsky's double criteria of welfare and its implications for economic policies. CO5K5
- (or)
- 15.b. Explain the concept of public goods and externalities in welfare economics. CO5K5

Part C

5 x 12 = 60

Answer ALL questions

Each answer should not exceed 800 words or four pages

- 16.a. Compare and contrast monopoly and monopolistic competition with suitable examples. CO1K3
- (or)
- 16.b. Analyze the different types of price leadership under oligopoly. CO1K4
- 17.a. Discuss Cyert and March's behavioural theory of the firm. CO2K3
- (or)
- 17.b. Examine the Marris model of balanced growth and its relevance in modern economics. CO2K5
- 18.a. Explain the concept of general equilibrium in exchange and its significance. CO3K4
- (or)
- 18.b. Analyze the conditions required for general equilibrium in production and consumption. CO3K5
- 19.a. Discuss monopsonistic exploitation of labor and wage determination under bilateral monopoly. CO4K4
- (or)
- 19.b. Evaluate the importance of elasticity of substitution in factor pricing. CO4K6
- 20.a. Explain Arrow's impossibility theorem and its implications for welfare economics. CO5K5
- (or)
- 20.b. Discuss the second-best theory and how it affects welfare maximization policies. CO5K6
