



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

SECOND SEMESTER – APRIL 2017

EC 2808 - MICRO ECONOMIC THEORY - II

Date: 06-05-2017
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

Part – A

Answer any five questions in about 75 words each.

(5 x 4 = 20 Marks)

1. State the assumptions of the neoclassical theory.
2. State the different types of profit.
3. State the assumptions of the Input Output analysis.
4. Define leadership and bring out the various types of price leadership model.
5. State the assumptions of Bain's limit pricing theory.
6. What is meant by circular flow? Elucidate the two sector model of circular flow of income and expenditure.
7. Elucidate Scitovsky's model of double criterion.

Part – B

Answer any four questions in about 250 words each.

(4 x 10 = 40 marks)

8. Explain Baumol's sales maximization theory. Elucidate the concept with diagrammatic representation.
9. Discuss Marris model of Managerial Enterprise Equilibrium.
10. Suppose Firm 1 and 2 are the only competitors in the Oligopoly market for a product. The price in the market is given by increased demand function. The cost of the two firms is also given. Find the best response Nash equilibrium.
 $P = 10 - Q$
 $C_1 = 4 Q_1$
 $C_2 = 2 Q_2$
11. Mathematically derive the concept and basics of the managerial utility function.
12. Describe Pareto's criterion and optimality and indicate the same with the help of Edgeworth's box diagram.
13. Discuss Bain's model of limit pricing theory with suitable diagrammatic representation.
14. Describe the conditions and models of Arrow's Impossibility Theorem.

Part – C

Answer any two questions in about 1200 words each.

(2 x 20 = 40 Marks)

15. Discuss Cyert and March’s Behavioural Model Theory on the following aspects:

- a. Firms coalition and conflicts
- b. The process of goal formation
- c. Goals of the firms
- d. Means for the formation of goals.

16. State the conditions of the dominant firm price leadership model. Estimate the price and output of dominant firm price leadership model, if $S = 0.2P$, $D = 50 - 0.3P$ and $C = 2X$.

17. From the given Transaction Matrix find the following:

- a. Input Coefficient and Technology Matrix
- b. Input – output system through Leontief method
- c. Co-factor matrix
- d. Output of agriculture and manufacturing sectors and labour requirements.

Producers of Inputs	User of Outputs				
	Sectors	Agriculture	Manufacturing	Final Demand	Total Output
Agriculture	75	125	100	300	
Manufacturing	100	150	250	500	
Labour	125	225	-	350	
Total Output	300	500	350	1150	

18. Discuss the concept of Compensation Principle of Kaldor-Hicks and the theory of Social Welfare Function.
