LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

M.A. DEGREE EXAMINATION – **ECONOMICS**

FIRST SEMESTER – **APRIL 2025**

PEC1MC01 – ADVANCED MICROECONOMICS - I

Date: 23-04-2025 Dept. No. Max. : 100 Marks

Time: 09:00 AM - 12:00 PM

	SECTION A – K1 (CO1)	
	Answer ALL the questions	**(5 x 1 = 5)**
1	**Choose the best answer.**	
a)	One potential disadvantage of full cost pricing is that: (A) It may lead to inefficient resource allocation (B) It can result in price wars (C) It is not compatible with profit maximisation (D) It is difficult to implement	
b)	Which one of the following is a potential limitation of the limit pricing theories? (A) They assume that incumbent firms have perfect information (B) They ignore the possibility of product differentiation (C) They underestimate the role of barriers to entry (D) They overestimate the importance of uncertainty	
c)	A firm following Baumol's theory will typically: (A) Reduce prices to increase sales volume (B) Increase prices to maximize profit (C) Maintain a constant price level (D) Increase rate of growth of capital	
d)	Cyert and March emphasize the role of: (A) Individual rationality (B) Organizational rationality (C) Both individual and organizational rationality (D) Neither individual nor organizational rationality	
e)	Intertemporal production decisions involve: (A) Decisions made based solely on short-term considerations (B) Decisions made in the past that affect present outcomes (C) Decisions made independently of time (D) Decisions made in the present that affect future outcomes	
	SECTION A – K2 (CO1)	
	Answer ALL the questions	**(5 x 1 = 5)**
2	**Answer the following in One or Two sentences.**	
a)	Outline the goal of the firm in the Neoclassical theory.	
b)	Infer Bain’s concept of ‘Condition for entry’.	
c)	Summarize the meaning of Bounded rationality.	
d)	Illustrate Peak Load pricing.	
e)	Interpret the Net Present Value criterion.	

	SECTION B – K3 (CO2)
	Answer any THREE of the following in 100 words each. (3 x 10 = 30)
3	Construct Gordon's attack on marginalism.
4	Experiment the Bhagwathi model of limit pricing.
5	Identify the reasons for sale revenue maximization.
6	Process of decision making in Cyert and March behavioural theory.
7	Develop a plan for Investment in human capital.
	SECTION C – K4 (CO3)
	Answer any TWO of the following in 200 words each. (2 x 12.5 = 25)
8	Examine the Hall and Hitch's 'Full-Cost' pricing principle.
9	Compare the effect of fixed cost and variable cost in the Baumol's sales revenue maximization model.
10	Inspect the steps involved in the Cyert and March's simple model of behaviourism.
11	Analyse the intertemporal production decision of depletable resources.
	SECTION D – K5 (CO4)
	Answer any ONE of the following in 500 words (1 x 15 = 15)
12	Criticize the basic assumptions of the Neoclassical theory of the firm.
13	Evaluate the Franko Modigliani's model of limit pricing.
	SECTION E – K6 (CO5)
	Answer any ONE of the following in 1000 words (1 x 20 = 20)
14	Discuss in detail the Marris's model of managerial enterprise with given financial constraint $\bar{a}$.
15	Elaborate the two-part tariff techniques with suitable examples.
