

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



M.A.DEGREE EXAMINATION –ECONOMICS

FIRST SEMESTER – APRIL 2018

17/16PEC1MC01– MICRO ECONOMIC THEORY AND APPLICATION - I

Date: 25-04-2018

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

Part – A

Answer any **Five** questions in about 75 words each.

(5 x 4 = 20 Marks)

1. Distinguish between static and dynamic economy.
2. Write the equation of the Iso-cost line with diagram.
3. What is meant by dead-weight loss?
4. State the concept of excess capacity.
5. What is meant by gains from trade?
6. Define Expansion Path and represent it diagrammatically.
7. List out the objectives of buffer stock operations.

Part – B

Answer any **Four** questions in about 300 words each.

(4 x 10 = 40 Marks)

8. Explain the policy of ‘price floor’ and ‘price ceiling’ with suitable representation.
9. “Lump-sum subsidy provides more welfare than price subsidy” - Justify.
10. Describe the concept of comparative statics with suitable representation.
11. Explain the concept of Income – Leisure choice with constraint and derive the wage offer curve.
12. Explain the concept of output expansion path of a multi-product firm.
13. Describe the incompatibility situation of the firm to determine the equilibrium under perfect competition.
14. Explain Cassel’s excess capacity concepts.

Part – C

Answer any **Two** questions in about 1200 words each.

(2 x 20 = 40 Marks)

15. Examine the various circumstances of bindings and non-bindings through the application of the rationing and indifference curve analysis.
16. Discuss the application of Economic theory of Index Numbers in terms of assessing changes in standard of living with ambiguous-unambiguous and dominant- non-dominant cases.
17. “The decomposition of factor price effect is better when labour and capital are assumed to be complementary factors than when they are considered as substitute factors” - Justify.
18. Discuss Sraffa’s advocacy of the adoption of Monopoly model to face the challenges of incompatibility of long-run equilibrium under perfect competition.
