LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SECOND SEMESTER – **APRIL 2022**

PEC 2501 – MICRO ECONOMIC THEORY AND APPLICATION - II

Date: 15-06-2022   Dept. No.   Max. : 100 Marks
Time: 09:00 A.M. - 12:00 NOON

PART – A

Answer any FIVE questions in about 75 words each.   **(5 x 4 = 20 Marks)**

1. What is meant by limit pricing?

2. Distinguish between excess capacity and reserve capacity.

3. List out the alternative goals of labour union.

4. State the situations that leads to market failure.

5. Point out the characteristics of Arrow's Impossibility theorem.

6. List out the basic concepts of linear programming.

7. Describe the given terms: (a) Payoff Matric, (b) Saddle Point.

PART – B

Answer any FOUR questions in about 300 words each.   **(4 x 10 = 40 Marks)**

8. Critically analyze Sylos model of limit pricing theory.

9. Explain the role of trade union under perfect competition.

10. Evaluate Pareto's concept of general equilibrium and welfare economics with respect to production.

11. Explain Kaldor – Hicks's idea of compensation principles of welfare economics.

12. Examine the concept of intertemporal choice on lending with suitable representation.

13. Point out the characteristics of Public good and review how it could be the reason for market failure.

14. Explore the concept of minmax strategy through two-person zero-sum game and find out the saddle point.

PART – C

Answer any TWO questions in 1200 words each.   **(2 x 20 = 40 Marks)**

15. Discuss Bain's model of limit pricing with suitable diagram.

16. Discuss Arrow's Impossibility theorem and state the conditions of the same.

17. Explore the investment decision process of an investor using different Net Present Value Rules with example.

18. Explain Nash Equilibrium. Demonstrate Nash Equilibrium with the model of Prisoners' dilemma.

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