

2025

(FYUGP)

(7th Semester)

ECONOMICS

(MINOR)

Paper : EC7.M7

(Advanced Microeconomics)

Full Marks : 75

Pass Marks : 40%

Time : 3 hours

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

1x15

I. Multiple Choice question:

1. In the Stackelberg model, the leader firm:

a) Moves last	☒ Moves first
c) Chooses price	d) Sets market demand
2. Cartels are often illegal because they:

a) Promote innovation	b) Enhance consumer welfare
☒ Restrict competition and increase prices	d) Are regulated by government
3. Inoligopoly, an association is formed to fix prices, quotas, and output.

a) syndicated	☒ organized
c) collusive	d) open
4. Marris's model of managerial enterprise assumes managers seek to maximise:

a) Profit	☒ Balanced long-run growth rate of the firm
c) Short-term sales	d) Market share
5. Cyert and March's behavioural model views the firm as:

a) Profit maximiser by a single entrepreneur	
☒ A coalition with multiple conflicting goals	d) A price taker
c) A government-controlled entity	
6. Sylos-Labini's theory of limit pricing focuses on:

a) Product differentiation	b) Advertising expenditure
c) Short-term profits	☒ Economies of scale as barriers to entry

7. When a private company becomes public by merging with an already publicly listed company, it is a case of
 - a) conglomerate merger
 - b) market extension merger
 - c) reverse merger
 - d) corner merger
8. Product Exhaustion theory ensures:
 - a) Total product exceeds total income
 - b) Total income equals total product
 - c) Only capital gets paid
 - d) Unequal distribution of income
9. Pasinetti extended:
 - a) Marx's theory
 - b) Ricardo's rent theory
 - c) Kaldor's theory focusing on structural change
 - d) Marginal productivity
10. According to Baumol, firms realising a minimum level of profits is to
 - a) keep shareholders happy
 - b) meet advertising expenditure
 - c) meet production costs
 - d) All the above
11. Samuelson-Bergson social welfare function represents:
 - a) Individual welfare only
 - b) Aggregation of individual utilities into social welfare
 - c) Government expenditure
 - d) Market equilibrium
12. Euler's theorem apply only when firms are working with returns to scale.
 - a) increasing
 - b) decreasing
 - c) constant
 - d) All the above
13. The Cob-Web model explains:
 - a) Price and quantity cycles due to lagged supply response
 - b) Perfect price setting
 - c) Instant market clearing.
 - d) Government intervention effects.
14. Walras's solution to product exhaustion problem is applicable if the economy is in a state of long-run perfectly competitive equilibrium.
 - a) Yes
 - b) No
 - c) Can't say
15. Linear Programming in general equilibrium is used to:
 - a) Optimise resource allocation
 - b) Fix prices artificially
 - c) Limit competition
 - d) Ignore constraints

II. Short answer questions: (Any 5)

1. Basing point price system.
2. Win-win model in relation to bilateral monopoly
3. Marginal productivity theory
4. Contribution of Modigliani to limit pricing principle
5. Walras's Solution to Product Exhaustion Problem
6. Marxian theory of distribution
7. Conditions for Pareto optimality.
8. Arrow's impossibility theorem.
9. Uniqueness of general equilibrium
10. General Equilibrium under uncertainty

(PART : B—DESCRIPTIVE)

(Marks : 50)

- III. Descriptive answers: (Any Five) 10x5
1. a) Explain the concept of cartels and mergers. Discuss the various types of cartels and mergers with examples. 10
- Or*
- b) Explain how price leadership works under various forms. 10
2. a) Evaluate Williamson's model of managerial utility maximization. 10
- Or*
- b) Discuss Baumol's sales revenue maximisation model. 10
3. a) Critically evaluate the product exhaustion theorem given by Euler. 10
- Or*
- b) Explain Ricardo's theory of distribution. 10
4. a) Explain the concept of Pigovian welfare economics and its role in correcting market failures. 10
- Or*
- b) Explain Rawls' Theory of Social Justice and discuss its relevance to welfare economics. 10
5. a) Differentiate between partial and general equilibrium. Illustrate with examples. 10
- Or*
- b) Critically analyse linear programming approach to general equilibrium. 10

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