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| **QP CODE: D4BEC2405** | **(Pages: 2)** | **Reg. No** | **:** | **...............................** |
| | | **Name** | **:** | **...............................** |

**FOURTH SEMESTER FYUGP EXAMINATION, APRIL 2026**

**Discipline Specific Core (DSC) Courses - Major**

**ECO4CJ206 : ADVANCED MICROECONOMICS**

**(Credits: 4)**

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|---|---|
| **Time: 2 Hours** | **Maximum Marks: 70** |

## Section A

**Answer the following questions. Each carries 3 marks (Ceiling: 24 marks)**

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|---|---|---|---|
| 1. | Describe the factors which determines the amount of bargaining power of a buyer . | BL1 | CO1, CO2, CO4 |
| 2. | What is a competitive factor market? | BL1 | CO1, CO2, CO4 |
| 3. | Point out the advantages of a labour union if it exerts monopoly power. | BL2 | CO1, CO2, CO4 |
| 4. | Define exchange economy. | BL1 | CO1, CO3, CO4 |
| 5. | Describe Adam Smith's theory of invisible hand. | BL1 | CO1, CO3, CO4 |
| 6. | How can we identify efficient allocation using Edgeworth box? | BL2 | CO1, CO3, CO4 |
| 7. | Explain how a point of efficient production will be achieved if the input markets are competitive. | BL2 | CO1, CO3, CO4 |
| 8. | State the condition for an insurance to be actuarially fair. | BL2 | CO1, CO5, CO6 |
| 9. | George has $5000 to invest in a mutual fund. The expected return on mutual fund A is 15 percent and the expected return on mutual fund B is 10 percent. Should George pick mutual fund A or fund B? | BL3 | CO1, CO4, CO5, CO6 |
| 10. | What is behavioural economics? | BL1 | CO1, CO4, CO6 |

## Section B

**Answer the following questions. Each carries 6 marks (Ceiling: 36 Marks)**

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|---|---|---|---|
| 11. | Explain how a demand curve for labour changes for a firm with variable capital in response to an increase in the market wage rate. | BL4 | CO1, CO2, CO4 |

**(PTO)**

| | | | |
|---|---|---|---|
| 12. | Explain how to determine economic rent for a factor which has perfectly inelastic supply curve. | BL3 | CO1, CO2, CO4 |
| 13. | Explain utility possibilities frontier using an example. | BL1 | CO1, CO3, CO4 |
| 14. | Explain how a government can help in achieving equity goals in an exhange economy. | BL4 | CO1, CO3, CO4 |
| 15. | Value of information is an important method for reducing risk - why? Elucidate this argument with an example.. | BL2 | CO1, CO4, CO5, CO6 |
| 16. | Richard is deciding whether to buy a state lottery ticket. Each ticket costs $1, and the probability of winning payoffs is given as follows: i) $0 return with a probability of 0.5 ii) $1 return with a probability of 0.25 iii) $2 return with a probability of 0.2 iv) $7.5 return with a probability of 0.05 a) What is the expected value of Richard's payoff if he buys a lottery ticket? b)What is the variance? | BL5 | CO1, CO4, CO5, CO6 |
| 17. | Explain bubbles in behavioural economics. | BL1 | CO1, CO4, CO6 |
| 18. | A tech company gives all 100 employees a high-end noise-canceling headphones (market value $300) as a "welcome gift." A week later, the company offers to buy them back for $350 or trade them for a $350 tablet. Most employees refuse to sell or trade, even though they previously expressed no interest in headphones. Identify and explain the type of reference point used in this example. Also, explain why the employees' valuation of the headphones changed after they received them. | BL3 | CO1, CO4, CO6 |

**Section C**

**Answer any one question. Each carries 10 marks (1 x 10 = 10 Marks)**

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|---|---|---|---|
| 19. | All Pareto efficient allocations are not equitable. Critically analyse this statement. | BL4 | CO1, CO3, CO4 |
| 20. | Explain the different preferences towards risk. | BL1 | CO1, CO4, CO5, CO6 |

**CO : Course Outcome**

**BL : Bloom's Taxonomy Levels** (1 – Remember, 2 – Understand, 3 – Apply, 4 – Analyse, 5 – Evaluate, 6 – Create)