ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Economics)

Course: Advanced Microeconomics (805) **Semester: Spring, 2014**
Level: M.Sc. Economics **Credit Hours: 3**
Total Marks: 100

ASSIGNMENT No. 1
(Units 1–5)

Q.1 Critically analyse the neo-classical theory of firm. Also discuss how it differs from the traditional theory of firm? (20)

Q.2 Describe the role of top management, administration and labor unions in goals formation of a firm. (20)

Q.3 Explain the marginal condition of optimality that is observed in a general equilibrium state. (20)

Q.4 Derive an individual's labor-supply curve. Describe the conditions that can result in a backward bending supply curve of labor. (20)

Q.5 The general Cobb- Douglas production function for two inputs is given by (20)

$$q = f(k,l) = A\, k^{\alpha}\, l^{\beta}$$

Where $0 < \alpha < 1$ and $0 < \beta < 1$. For this production function

a. Show that $f_k > 0, f_l > 0, f_{kk} < 0, f_{ll} < 0, f_{kl} = f_{lk} > 0$.

b. Show that this function is quasi-concave.

ASSIGNMENT No. 2

(Units 6–9)   **Total Marks: 100**

Q.1   How a firm operating under monopolistic conditions can determine its best level of output and best level of hiring each variable input? Explain in detail.   (20)

Q.2   Describe Walrus's law and its significance for general equilibrium analysis.   (20)

Q.3   Explain the externalities. Discuss their various forms. How do they alter the optimality of perfect competition?   (20)

Q.4   Modern welfare economics frequently makes use of the concept of the pareto-optimality. Explain the concept and its role in the theory of welfare economics. (20)

Q.5   Write notes on the followings: (10+10)
   i)   Theory of Second Best
   ii)   Economic Rent