ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Economics)

WARNING

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
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Course: Advanced Microeconomics (805)

Level: MSc Economics **Semester: Spring, 2013**
Credit Hours: 3 **Total Marks: 100**

ASSIGNMENT No. 1
(Units 1–5)

Q.1 What is meant by perfect competition in economics? Do marginal-cost pricing and full cost pricing principles base on the assumptions of perfect competition? **(20)**

Q.2 Explain briefly all competing theories which explain the behavior of a firm. Which theory do you prefer the most and why? **(20)**

Q.3 As in the Behavioral theory of firm, there is no hard and fast rule for estimation of cost and demand curves. Then how is equilibrium output and price determined? **(20)**

Q.4 What are the ceteris paribus assumptions of an input market? Also explain the determinants of the price elasticity of demand for an input. **(20)**

Q.5 The general Cobb- Douglas production function for two inputs is given by **(20)**
$Q = f(k,1) = A\ k^{\alpha}\ 1^{\beta}$

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

a. Show that $f_k > 0$, $f_1 > 0$, $f_{kk} < 0$, $f_{11} < 0$, $f_{k1} = f_{1k} > 0$.
b. Show that this function is quasi-concave.

ASSIGNMENT No. 2

(Units 6–9) **Total Marks: 100**

Q.1 Determine the factor prices when there is monopoly in goods market and monopsony in labour market. **(20)**

Q.2 What is the relationship between partial and general equilibrium analysis? **(20)**

Q.3 Explain the relationship between factor intensities and factor prices. Also explain the relationship between factor prices and commodity prices. **(20)**

Q.4 How pareto optimality is violated in each cases? **(20)**

i. Price controls
ii. Monopsony
iii. Monopoly
iv. Quotas

Q.5 Write notes on the followings: **(20)**

i. Externalities
ii. Public Goods
iii. Social and private cost