ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Economics)

Course: Advanced Microeconomics (2700)   **Semester: Spring, 2014**
Level: M.Phil. Economics   **Total Marks: 100**
Pass Marks: 50

ASSIGNMENT No. 1
(Units 1–5)

Q.1 What is Engle aggregation and homogeneity of Marshallian demand functions and what information does these properties provides on income and price elasticities? (20)

Q.2 Consider the following cost function, $C = W_1^{\alpha} W_2^{\beta} Y^{\delta}$ (20)

Under what restriction, if any on parameters of the cost function are the following properties satisfied?
a) Cost function is monotonic in input prices
b) The underlying production function is homothetic
c) Own price substitution effects are negative
d) Derive profit maximizing output supply function and profit maximizing input demand functions

Q.3 Explain with help of diagram and algebra following concept. (20)
a) Homogeneous and homothetic production function
b) Fixed proportion and fixed coefficient production function
c) Marginal product and return to scale
d) CES production function

Q.4 Given the monopolist demand curve $X = 200 - 2P$, the costs of the two plants are $C_1 = 10X_1$ and $C_2 = 0.25X\dfrac{2}{2}$, derive the equilibrium of multi-plant monopolist? (20)

Q.5　Differentiate among cournot, Bertrand and Stackelberg equilibrium with the help of reaction curves and algebra.　(20)

ASSIGNMENT No. 2
(Units 6–9)

Total Marks: 100　　　　　　　　　　　　　　　　　**Pass Marks: 50**

Q.1　Discuss individual optimizing behavior of multi-period consumption, algebraically & mathematically.　(20)

Q.2　Discuss with the help of diagram and mathematics the following concepts.　(20)
  i.　Risk neutral.
  ii.　Risk averse.
  iii.　Risk lover.

Q.3　Discuss in detail the concept of general equilibrium in consumption and production?　(20)

Q.4　Discuss in detail the trade-off between Equity‗ efficiency and social welfare function.　(20)

Q.5　What is the concept of social justice and social optimum? How Capitalism and Socialism result in market failure?　(20)