



University of Sri Jayewardenepura
Faculty of Humanities and Social Sciences.

Bachelor of Arts Third Year First Semester Examination
July/August - 2017
Economics
ECON 3110.03 -Advanced Microeconomics

Time: Three hours (03)

Answer any five (05) questions.

1. 'Attitudes towards risk differ between individuals.' Explain this statement with suitable diagrams. (16 marks)

2. i. What is meant by monopoly power? (04 marks)
ii. How do you measure the monopoly power? (04 marks)
iii. Explain how the monopoly power can affect the consumer welfare? (08 marks)

3. i. Define 'monopsony'. (04 marks)
ii. Explain the concept of 'Double Exploitation of Labour' using a suitable diagram. (12 marks)

4. i. Distinguish between production cost and advertising cost? (04 marks)
ii. Assume a firm with monopoly power. Using a suitable example explain the likely effects of advertising cost on its profits. (12 marks)
(State relevant assumption clearly.)

5. Explain the following concepts with regard to the factor market
i. Demand curve for labour.
ii. Supply curve for labour.
iii. Value of marginal product of labour.
iv. Marginal revenue product of labour. (04 marks for each)

6. i. Critically examine the classical theories of wage determination. (08 marks)
ii. Briefly explain the role of trade unions on the determination of wage. (08 marks)

7. i. What is meant by 'asymmetric information'? (04 marks)
ii. Explain the likely effects of asymmetric information using a selected example. (12 marks)

8. Write short notes on the following topics.
i. Neumann - Morgenstern Utility Index.
ii. Risk premium.
iii. Third degree price discrimination.
iv. Sources of monopsony power. (04 marks for each)
