

D 131133

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Name.....

Reg. No.....

**FIRST SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2025**

(CBCSS)

Econometrics

ECM 1C 02—MICRO ECONOMIC THEORY

(2020 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

Part A*Answer all **fifteen** questions.**Each question carries 1/5 weightage.*

1. Bilateral monopoly means :
 - (a) Two rival sellers only.
 - (b) Two rival buyers only.
 - (c) A monopoly seller buying his input from many suppliers.
 - (d) Single buyer and single seller.
2. Circumstances that influence the profitability of a decision are referred to as :

(a) Strategies.	(b) A pay-off matrix.
(c) States of nature.	(d) The marginal utility of money.
3. If the cross elasticity between two goods is 2 , the goods are _____.

(a) Complementary goods.	(b) Perfect substitute.
(c) Close substitute.	(d) Normal goods.
4. The analysis of a complex decision situation by constructing a mathematical model of the situation and then performing a large number of iterations in order to determine the probability distribution of outcomes is called :

(a) Sensitivity analysis.	(b) Expected utility analysis.
(c) Simulation.	(d) A decision tree.

Turn over

5. The elasticity for the demand of durable goods is _____.
- (a) Zero. (b) Equal to unity.
(c) Greater than unity. (d) Less than unity.
6. When the price of a product falls by 10 % and its demand rises by 30 %, then the elasticity of demand is _____.
- (a) 13. (b) 3.
(c) 10. (d) 30.
7. When the demand for a product is perfectly inelastic, a price increase will result in _____.
- (a) A decrease in quantity demanded of the product.
(b) No change in the total income from a product.
(c) An increase in the total income from a product.
(d) A reduction in the total income from a product.
8. Which of the following explains the short-run production function ?
- (a) Law of Demand.
(b) Law of Variable Proportion.
(c) Returns to Scale.
(d) Elasticity of Demand.
9. Dumping means :
- (a) A higher price in home market and lower price in foreign market.
(b) A lower price in home market and higher price in foreign market.
(c) The same price in home and foreign market.
(d) None of the above.
10. When the sum of gains of one player is equal to the sum of losses to another player in a game, this situation is known as :
- (a) Biased game. (b) Zero-sum game.
(c) Fair game. (d) All of these.

11. When no saddle point is found in a payoff matrix of a game, the value of the game is then found by :
- (a) Reducing the size of the game to apply the algebraic method.
 - (b) Solving any one 2×2 sub game.
 - (c) Finding the average of all the values of the payoff matrix.
 - (d) None of these.
12. Which of the following is most likely reason for a breakdown in collusive behaviour between firms in an oligopoly ?
- (a) The existence of economies of scale.
 - (b) Reduced power of the compensation and market authority.
 - (c) A chance for one of the colluding firms to gain some short-term profit.
 - (d) A change in business objectives to revenue maximisation.
13. In game theory, a choice that is optimal for a firm no matter what its competitors do is referred to as :
- (a) The dominant strategy.
 - (b) The game-winning choice
 - (c) Super optimal.
 - (d) A gonzo selection.
14. A cartel that operates like a multiplant monopolist is a :
- (a) Market-sharing cartel.
 - (b) Centralized cartel.
 - (c) Price leadership cartel.
 - (d) None of the above is correct.
15. If a person's utility doubles when their income doubles, then that person is risk :
- (a) Averse.
 - (b) Neutral.
 - (c) Seeking.
 - (d) There is not enough information given in the question to determine an answer.

(15 × 1/5 = 3 weightage)

Turn over

Part B

*Answer any **five** questions out of eight.
Each question carries 1 weightage.*

16. Define income effect.
17. Define economic cost ?
18. Do Veblen goods violate the law of demand ?
19. What is cartel agreement ?
20. How do you calculate Certainty equivalent ?
21. What is Expected utility function ?
22. What is returns to scale in business ?
23. Define principal-agent problem.

(5 × 1 = 5 weightage)

Part C

*Answer any **seven** questions out of ten questions.
Each question carries 2 weightage.*

24. What is the problem of St. Petersburg paradox ?
25. What is N-M utility index ?
26. Site the main difference between the Cournot and Bertrand oligopoly models ?
27. What is dynamic version of demand function ?
28. How does short run and long run affect the cost of production ?
29. Examine how Cobb-Douglas function explains returns to scale ?
30. What are some characteristics of an oligopoly competition ?
31. Differentiate between collusion and competition ?
32. What are the benefits of economies of scale and economies of scope ?
33. How does game theory explain the behaviour of oligopolies ?

(7 × 2 = 14 weightage)

Part D

*Answer any **two** questions out of four questions.
Each question carries 4 weightage.*

34. Examine the various short run costs.
35. Explain the role played by network externalities on consumer demand.
36. What is Chamberlin's Small group model in oligopoly ? How is it advancement over earlier oligopoly models ?
37. Explain the concepts of Strategy and Payoffs in game theory. What are the most serious criticisms levelled against game theory ?

(2 × 4 = 8 weightage)