

D 12973

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Name.....

Reg. No.....

**FIRST SEMESTER M.A./M.Sc. DEGREE (REGULAR) EXAMINATION
NOVEMBER 2020/2021**

(CBCSS)

Econometrics

ECM 1C 02—MICRO ECONOMIC THEORY

(2020 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

1. In cases where choices are provided, students can attend **all** questions in each section.
2. The minimum number of questions to be attended from the Section / Part shall remain the same.
3. The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.
4. There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.

Part A (Multiple Choice Questions)*Answer all fifteen questions.**Each question carries 1/5 weightage.*

1. Under Cournot model of oligopoly, a firm is in equilibrium when :
 - i Marginal Cost = Marginal Revenue.
 - ii Marginal Revenue = 0.
 - iii Marginal Revenue = Average Revenue.
 - iv Marginal Cost = Average Revenue.

Which of the above statements is/are not true ?

- | | |
|----------------------|--------------------|
| (A) Only i. | (B) Only ii. |
| (C) Both iii and iv. | (D) All the above. |
2. The slope of the indifference curve is _____.

(A) Price ratio.	(B) Opportunity cost.
(C) Marginal rate of substitution.	(D) Marginal rate of technical substitution.
 3. Assertion (A) : Demand curve and Marginal revenue curve never intersect for a monopoly.
Reason (R) : Marginal Revenue curve and Average revenue curve has the same slope.

(A) Only A is true.	(B) Only R is true.
(C) Both A and R are true.	(D) Both are false.

Turn over

4. 'Stock-adjustment principle' is associated with :
- (A) Nerlove. (B) Houthakker.
(C) Friedman. (D) Morgenstern.
5. When a firm's equilibrium output is less than the output at which the slope of AVC is zero is called :
- (A) Reserve capacity. (B) Underutilization of factory.
(C) Excess capacity. (D) Break even production.
6. Identify the correct statement related to learning curve :
- (A) The slope of the learning curve represents the rate in which learning translates into cost savings for a company.
(B) The steeper the slope, the higher the cost savings per unit of output.
(C) Both (A) and (B).
(D) None of these.
7. The compensation criterion of Kaldor-Hicks assumes :
- (A) Each individual's satisfactions are independent from the others so that he is the best judge of his welfare.
(B) There is the absence of external effects in production and consumption.
(C) It is possible to separate the problems of production and exchange from the problem of distribution.
(D) All the above
8. Which one of the following is an example for a Cartel ?
- (A) BRICS (B) EU.
(C) QUAD. (D) OPEC.
9. When the consumer is in equilibrium, $MRS_{XY} = 3.5$. If the price of the commodity Y is 20, then what will be the price of commodity X ?
- (A) 60. (B) 70.
(C) 50. (D) 40.
10. When the distance between consecutive multiple-isoquants increases, it is called :
- (A) Increasing returns to scale. (B) Decreasing returns to scale.
(C) Constant returns to scale. (D) All the above.

11. In the CES production function, $Q = \Lambda [aC^{-\theta} + (1 - \alpha)L^{-\theta}]^{-1/\theta}$, the substitution parameter which determines the elasticity of substitution is :
- (A) θ . (B) α
 (C) Λ . (D) $(1 - \alpha)$.
12. Lines which represent the limits of the economic region of production are called :
- (A) Budget lines. (B) Ridge lines.
 (C) Isocost lines. (D) Isoquants.
13. According to Arrow :
- I. Social welfare cannot be evaluated by a democratic vote.
 II. The social welfare choices should be transitive.
- (A) Statement I alone is correct. (B) Statement II alone is correct.
 (C) Statements I and II are correct. (D) Statements I and II are incorrect.
14. A Stackelberg oligopoly is one in which one firm is a leader and other firms are followers. This model applies where :
- (A) The firms sell homogeneous products.
 (B) Competition is based on output.
 (C) Firms choose their output sequentially and not simultaneously.
 (D) All the above.
15. Moral hazard is associated with :
- (A) Labour market. (B) Goods market.
 (C) Insurance market. (D) Automobiles market.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions out of eight questions.

Each question carries 1 weightage.

16. What is prisoner's dilemma ?
 17. State product exhaustion theorem.

Turn over

18. Differentiate between cooperative games and non co-operative games.
19. Define risk aversion.
20. Briefly explain elasticity of factor substitution.
21. Define linear homogeneous production function.
22. What do you mean by consumers surplus ?
23. Distinguish between snob effect and bandwagon effect.

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any **seven** questions out of nine questions.

Each question carries 2 weightage.

24. Point out difference between weak ordering and strong ordering. Explain revealed preference theory.
25. Explain Nash equilibrium.
26. Define asymmetric information. Discuss the implications of asymmetric information.
27. Explain social welfare function.
28. *Arrow's impossibility theorem is a social-choice paradox illustrating the flaws of ranked voting systems. Explain.*
29. Explain the non-price competition in monopolistic competition.
30. Distinguish between cardinal utility and ordinal utility. Summarise the assumptions of cardinal utility and ordinal utility analysis.
31. Explain the Neuman-Morgenstern method of constructing utility index.
32. Explain the relationship between technical progress and production function.

(7 × 2 = 14 weightage)

Part D (Essay Questions)

Answer any **two** questions out of four questions.

Each question carries 4 weightage.

33. Explain Pareto optimality. Discuss the marginal conditions of Pareto optimality.
34. Explain recent developments in demand theory. Discuss distributed-lag models of demand.
35. State and explain Cobb-Douglas production function. Prove the properties of Cobb-Douglas production function.
36. Explain meaning and characteristics of oligopoly. Critically examine Cournot's duopoly model.

(2 × 4 = 8 weightage)