

FIRST SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2020

(CBCSS)

Economics

ECO 1C 01—MICRO ECONOMICS : THEORY AND APPLICATIONS—I

(2019 Admissions)

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. *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** questions.*

Each question carries $\frac{1}{4}$ weightage.

1. A market structure wherein a market or industry dominated by a small number of large sellers :
 - (a) Monopolistic Competition.
 - (b) Bilateral monopoly.
 - (c) Monopolistic Competition.
 - (d) Oligopoly.
2. The kinked demand curve model seeks to explain the reason of _____ under oligopolistic market situations.
 - (a) Equilibrium.
 - (b) Price rigidity.
 - (c) Demand flexibility.
 - (d) Elasticity.
3. In game theory, a _____ is a mathematical representation of a situation in which each participant's gain or loss of utility is exactly balanced by the losses or gains of the utility of the other participants
 - (a) Win-win game.
 - (b) Social trap.
 - (c) Minimax theorem.
 - (d) Zero-sum game.

Turn over

4. The capital that is consumed by an economy or a firm in the production process is known as :
- (a) Production cost. (b) Opportunity cost.
(c) Depreciation. (d) Welfare loss.
5. A non-competitive, secret, and sometimes illegal agreement between rivals who conspire to work together to gain an unfair market advantage are termed as :
- (a) Price fixing. (b) Spot fixing.
(c) Collusion. (d) Cost leadership.
6. A _____ is a mathematical formula used to chart how production expenses will change at different output levels is known as.
- (a) Cost function. (b) Production function.
(c) Total output. (d) Marginal product.
7. The elasticity of the ratio of two inputs to a production function with respect to the ratio of their marginal products is termed as :
- (a) Marginal rate of technical substitution.
(b) Cost elasticity.
(c) Elasticity of substitution.
(d) Scale elasticity.
8. The problem why most people are unwilling to participate in a fair game or bet :
- (a) St. Petersburg paradox. (b) Newcomb's paradox.
(c) Friedman-Savage hypothesis. (d) none of the above.
9. A form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss.
- (a) Underwriting. (b) Insurance.
(c) Mutual fund. (d) Investment.
10. If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to :
- (a) Increase. (b) Decrease.
(c) Remain the same. (d) Become zero.

11. In the short run, when the output of a firm increases, its average fixed cost :
- (a) Remains constant. (b) Increases.
 (c) Decreases. (d) First decreases and then rises.
12. If marginal costs equal average total costs :
- (a) Average total costs are falling.
 (b) Average total costs are maximized.
 (c) Average total costs are rising.
 (d) Average total costs are minimized.

(12 × ¼ = 3 weightage)

Part B (Short Answer Type)

Answer any five out of eight questions.

Each question carries 1 weightage.

13. What is expected utility ?
14. Define linear demand curve.
15. What are the characteristics of oligopoly ?
16. Define Cartel.
17. What is Nash Equilibrium ?
18. Write down bandwagon effect.
19. What do you mean by linear homogenous production function ?
20. What is the difference between economies of scale and returns to scale ?

(5 × 1 = 5 weightage)

Part C (Paragraph Type)

Answer any seven out of ten questions.

Each question carries 2 weightage.

21. Explain St. Petersburg Paradox.
22. Why are prices stable in a non-collusive oligopoly ?
23. Explain different types and advantage of price leadership.

Turn over

24. What is N-M Utility Index and point out its assumptions ?
25. What is cost function ? Explain its importance.
26. Give an account of Cobb-Douglas production function ?
27. Compare Cournot and Bertrand models.
28. Describe snob effect demand curve with diagram.
29. Give an account on fixed proportion production function.
30. Critically examine Prisoner's dilemma ?

(7 × 2 = 14 weightage)

Part D (Essay Type)

Answer any two out of four questions.

Each question carries 4 weightage.

31. Discuss two person zero-sum game with saddle point and dominant strategy.
32. Examine Houthakker and Taylor dynamic demand functions.
33. Explain Markowitz Hypothesis.
34. Define CES production function. State its properties.

(2 × 4 = 8 weightage)