

D 32546

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Name.....

Reg. No.....

**FIRST SEMESTER M.A. (CBCSS) REGULAR/SUPPLEMENTARY DEGREE
EXAMINATION, NOVEMBER 2022**

Econometrics

ECM1C02—MICRO ECONOMIC THEORY

(2020 Admission onwards)

Time : Three Hours

Maximum Weightage : 30

Part A (Multiple Choice Questions)

Answer all questions.

Each question carries 1/5 weightage.

Multiple choices :

1. The relationship between MR and elasticity of demand is given by :

(a) $MR = P \left(1 - \frac{1}{e} \right)$

(b) $MR = \frac{P}{e}$

(c) $MR = \frac{1}{e}$

(d) None of these.

2. Which one of the following is not associated with Perfect competition ?

(a) Perfect mobility of good and services.

(b) Presence of selling costs.

(c) Free entry and exit.

(d) Absence of transportation cost.

3. When the isoquant takes the shape of a right angle, then it is called :

(a) Input-output isoquant.

(b) Leontief isoquant.

(c) Kinked isoquant.

(d) Both (a) and (b).

4. Which one of the following is not associated with Pareto optimality criterion ?

(a) $MRTS_{LK} = MP_L/MP_K$

(b) $MRS_{AB} = MU_A/MU_B$

(c) $MRPT = MRS_{AB} = MRTS_{LK}$

(d) $MRTS = P_X/P_Y$

Turn over

5. When there is a tacit agreement among firms in an oligopoly market, it is called :
- (a) Collusive oligopoly. (b) Non-collusive oligopoly.
(c) Tacit oligopoly. (d) Duopoly.
6. Bertrand's model of duopoly assumes that the opponent will keep its :
- (a) Quantity constant. (b) Price and quantity constant.
(c) Price constant. (d) Factors of production constant.
7. Markowitz hypothesis is an improvement over :
- (a) Friedman-Savage hypothesis. (b) St. Peterburg paradox.
(c) Linear expenditure system. (d) Revealed preference.
8. Games in which gains of one player equal the losses of the other are called :
- (a) Zero-sum games. (b) Non-zero sum games.
(c) Prisoner's dilemma. (d) Pure strategy.
9. Identify the correct statement related to the chagrin effect :
- (a) It is the expectation of existing firms that the potential entrant will not come into the market if he thinks that the price post entry will fall below his LAC.
(b) It is the expectation of the entrant that the established firms will continue in the post entry period to produce the same level of output as pre entry.
(c) It is a positive elasticity which measures the proportionate decrease in the sale of established firms as the price decreases and dissatisfied customers turn to the new entrant.
(d) It is a negative elasticity which measures the proportionate increase in the sale of established firms as the price decreases and dissatisfied customers turn to the new entrant.
10. The strategy of maximizing the minimum gain is called :
- (a) Minimax. (b) Maximin.
(c) Pure strategy. (d) Mixed strategy.
11. Social welfare function is of limited practical significance in the opinion of :
- (a) Little. (b) Streeten.
(c) Baumol. (d) All the above.
12. Which one of the following is not true regarding Chamberlin's model of duopoly ?
- (a) Equilibrium attained is stable.
(b) Realise interdependency of firms.
(c) Charge monopoly price.
(d) Price charged will be lower than in Cournot model.

13. In Houthakker's and Taylor's dynamic model, the sign of the coefficient of S will be _____ for durables.
- (a) Positive. (b) Negative.
(c) Zero. (d) None of these.
14. The behaviour of consumers and investors, when exposed to uncertainty, the attempt to reduce that uncertainty is known as :
- (a) Risk spreading. (b) Risk aversion.
(c) Risk diversion. (d) Risk preference.
15. The compensation criterion of Kaldor-Hicks is based on the following assumptions except :
- (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 assumed that utility is measured cardinally and interpersonal comparisons are possible.
(d) It is possible to separate the problems of production and exchange from the problem of distribution.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

16. Define consumer's surplus.
17. What is meant by cartel ?
18. State Kaldor-Hicks compensation criteria.
19. Differentiate between income effect and substitution effect.
20. What is meant by kinked demand curve ?
21. Prepare a note on linear expenditure system.
22. Distinguish between cardinal utility and ordinal utility.
23. What do you mean by barometric price leadership ?

(5 × 1 = 5 weightage)

Turn over

Part C (Short Answer Questions)

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

24. Explain asymmetric information. Bring out its economic advantages.
25. Explain the efficiency wage theory.
26. Define indifference curve. Illustrate consumer equilibrium using indifference curve approach.
27. Explain Nerlove's stock adjustment principle.
28. Define monopolistic competition. Discuss the characteristics of monopolistic competition.
29. Explain network externalities. Differentiate between bandwagon effect, snob effect and Veblen effect.
30. Explain Nash equilibrium.
31. Distinguish between returns to a factor and returns to scale. Illustrate the stages of short run production function.
32. Discuss relationship between technological progress and production function.
33. Explain social welfare function.

(7 × 2 = 14 weightage)

Part D (Essay Questions)

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

34. What do you mean by homogeneous production function? State and explain the properties of Cobb-Douglas production function.
35. Differentiate between collusive and non-collusive oligopoly. Compare and contrast the duopoly models of Cournot and Bertrand.
36. What do you mean by welfare economics? Illustrate the marginal conditions of Pareto optimality.
37. Explain the Neuman-Morgenstern method of constructing utility index. Evaluate Friedman Savage hypothesis and Markowitz improvement over it.

(2 × 4 = 8 weightage)