22P125 (Pages: 3) Name: ……

Reg. No: ……..…...

FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2022

(CBCSS-PG)

(Regular/Supplementary/Improvement)

CC19P ECO1 C01 – MICRO ECONOMICS: THEORY AND APPLICATIONS - I

(Economics)

(2019 Admission onwards)

Time: Three Hours Maximum: 30 Weightage

Part A

Answer ***all*** questions. Each question carries 1 weightage.

1. Cournot duopoly leads to:
   a) Stable equilibrium b) Unstable equilibrium
   c) Disequilibrium d) Neutral equilibrium
2. Neumann-Morgenstern hypothesis deals with consumer behaviour in respect of:
   a) Risk b) Preference c) Introspection d) Indifference
3. The concept of bandwagon effect was introduced by:
   a) Stackelberg b) Sweezy c) Samuelson d) Harvey Leibenstein
4. Linearly homogeneous production function represents the case of:
   a) Constant returns to scale b) Increasing returns to scale
   c) Decreasing returns to scale d) None of these
5. The strategy of maximizing the minimum gain is called:
   a) Minimax b) Maximin c) Pure strategy d) Mixed strategy
6. The marginal utility of money diminishes for a decision maker who is:
   a) A Risk Seeker b) A Risk Neutral
   c) A Risk Averter d) In a situation of uncertainty
7. Identify the economists who extended the idea of stock adjustment to non-durables:
   a) Houthakker-Taylor b) Nerlove-Richard Stone
   c) Friedman-Savage d) Friedman-Phelps
8. Neutral technical progress implies:
   a) Parallel shift in the isoquant towards the origin
   b) Shift towards the labour axis
   c) Shift towards capital axis d) None of these
9. Discontinuity of MR curve is a characteristic of:
   a) Cournot model b) Sweezy model c) Bertrand model d) None of these

10. Strategy which can be used to find solution in a repeated game:

a) Dominant b) Bargain c) Tit-for-tat d) Minimax

11. Which of the following method helps an individual to reduce his risk or uncertainty?

a) Gathering more information b) Diversification

c) Insurance d) All the above

12. Demand theory stating that consumers derive utility not from the actual contents of the basket but from the characteristics of the goods in it is propounded by:

a) Kelvin Lancaster b) Veblen c) Marshall d) Ricardo

13. The saucer shaped average variable cost curve is due to:

a) Increasing returns b) Reserve capacity

c) Decreasing returns d) None of these

14. Cartel is a form of:

a) Monopolistic competition b) Monopoly

c) Non-collusive oligopoly d) Collusive oligopoly

15. Payoff that is simultaneously a row minimum and a column maximum:

a) Zero sum game b) Saddle point c) Maximin d) Minimax

(15 × 1/5 = 3 Weightage)

Part B (Very Short Answer Questions)

Answer any ***five*** questions. Each question carries 1 weightage.

16. Explain Bernoulli's solution.

17. Define Veblen effect.

18. What are economies of scope?

19. Describe price leadership.

20. Explain the concepts' payoff' and 'strategy' with the help of an example

21. Explain risky and riskless assets.

22. What is homogeneous production function?

23. What is collusive oligopoly?

(5 × 1 = 5 Weightage)

Part C (Short Answer Type Questions)

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

24. Markowitz hypothesis is superior than Friedman-Savage hypothesis. Illustrate.

25. Explain constant elasticity demand function.

26. Compare cobb-Douglas and CES production function.

27. Make a short note on cartels aiming at joint profit maximisation.

28. Explain how tit- for-tat strategy is helpful to achieve best results in repeated games.

29. Discuss various measures of reducing risk.

30. Explain Linear Expenditure System.

31. Distinguish between capital deepening, labour deepening and neutral technical progress.

32. Discuss Stackelberg's duopoly model.

33. Explain equilibrium in dominant strategies with the help of an example.

(7 × 2 = 14 Weightage)

Part D (Essay Questions)

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

34. Examine how Neumann-Morgenstern utility index is successful in classifying individuals based on their risk.

35. Explain Kelvin Lancaster's characteristic approach and its implications.

36. Discuss how naive behaviour results in sub-optimal solutions in oligopoly models.

37. Examine the importance of threats, commitments and credibility in theory of games.

(2 × 4 = 8 Weightage)

****