FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2023

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19P ECO1 C01 – MICROECONOMICS: THEORY AND APPLICATION – I

(Economics)

(2019 Admission onwards)

Time: 3 Hours   Maximum: 30 Weightage

Part A

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

1. When marginal utility is decreasing but positive, total utility is:

    (a) Increasing at a decreasing rate   (b) Increasing at an increasing rate

    (c) Decreasing at a decreasing rate   (d) Decreasing at an increasing rate

2. A positive network externality in which a consumer wishes to possess a good in part

    (a) Lemons problem   (b) Bandwagon effect (c) Snob effect   (d) Veblen effect

3. 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

4. When the price of a product falls for a normal good, the:

    (a) Income and substitution effects will encourage consumers to purchase more of the

      product

    (b) Income and substitution effects will encourage consumers to purchase less of the

      product

    (c) Substitution effect will encourage consumers to purchase less of the product and the

      income effect will encourage them to purchase more

    (d) Substitution effect will encourage consumers to purchase more of the product and the

      income effect will encourage them to purchase less

5. ….............. deals with group of commodities between which substitution is not possible

    (a) Indifference curve   (b) Linear expenditure System

    (c) Production possibility curve   (d) Price line

6. Stock adjustment principle was developed by:

   (a) Leontief   (b) Nerlove   (c) J. R. Hicks   (d) Taylor

7. 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

8. Cobb-Douglas production function is of homogeneous degree:

   (a) < 1   (b) 0   (c) 1   (d) >1

9. The law of diminishing returns only applies in cases where:

   (a) there is increasing scarcity of factors of production

   (b) the price of extra units of a factor is increasing

   (c) there is at least one fixed factor of production

   (d) capital is a variable input

10. Cournot solution is an example of

    (a) Nash equilibrium   (b) Prisoner's dilemma

    (c) Dominant strategy   (d) None of these

11. The kinked demand curve as a tool of analysis was originated by:

    (a) Cournot   (b) Hall and Hitch   (c) Sweezy   (d) Chamberlin

12. The Kinked Demand Curve theory assumes:

    (a) Firms co-operate   (b) Firms act as part of a cartel

    (c) Firms are competitive with each other   (d) Firms are not profit maximisers

13. A prisoners' dilemma is a game with all of the following characteristics except one. Which one is present in a prisoners' dilemma?

    (a) Players cooperate in arriving at their strategies

    (b) Both players have a dominant strategy

    (c) Both players would be better off if neither chose their dominant strategy

    (d) The payoff from a strategy depends on the choice made by the other player

14. Which of the following is an example of a game theory strategy?

    (a) You scratch my back and I'll scratch yours   (b) If the shoe fits, wear it

    (c) Monkey see, monkey do   (d) None of the above

15. 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

    (15 × 1/5 = 3 Weightage)

23P125

Part B (Very Short Answer Questions)

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

16. Explain risky and riskless assets.

17. What you mean by Stock-adjustment principle?

18. What are economies of scope?

19. What is meant by a production function?

20. Short note on homogeneous production function.

21. What is collusive oligopoly?

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

23. What you mean by cartel cheating?

(5 × 1 = 5 Weightage)

Part C (Short Answer Questions)

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

24. Explain the various measures of risk.

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

26. Write a note on Elasticity of substitution.

27. Explain Houthakker and Taylor's Stock adjustment model.

28. What are the properties of CES production function?

29. Critically examine economies of scope.

30. What are Cartels? Explain price and output determination of a firm under cartel.

31. What do the Cournot and Bertrand model have in common? What is different about the two models?

32. What can the cartel do to prevent cheating?

33. What is a strategic move? How can the development of a certain kind of reputation be a strategic move?

(7 × 2 = 14 Weightage)

Part D (Essay questions)

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

34. Critically examine Neumann – Morgenstern hypothesis.

35. Write an essay on dynamic version of demand theory.

36. Explain why industry profits cannot be maximized even with direct cartel solution.

37. Explain how game theory is used to explain oligopoly models.

(2 × 4 = 8 Weightage)

****

(3)