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Name..... 07

Reg. No.....

FIRST SEMESTER M.A. DEGREE EXAMINATION, DECEMBER 2014

(CUCSS)

Economics

ECO IC 01—MICROECONOMIC THEORY AND APPLICATION

Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each bunch of four questions carries weightage 1.

A. Multiple Choice :

- 1 In the case of capital saving technical progress
 - (a) W/r ratio remains the same.
 - (b) W/r ratio reduces.
 - (c) W/r ratio increases.
 - (d) W/r ratio increases and then decreases.
- 2 Traditional economic theory could not explain choices involving risk as it assumed that :
 - (a) Marginal utility always decreases.
 - (b) MU always increases.
 - (c) MU first declines and then rises.
 - (d) MU first rises and then declines.
- 3 In the case of Cobb Douglas production function $Q = AL^2 K$ the return to scale is measured by :
 - (a) α .
 - (b) β .
 - (c) $\alpha + \beta$.
 - (d) α / β .
- 4 A Kinked demand curve involves a marginal revenue curve that :
 - (a) Has a break.
 - (b) Has a kink.
 - (c) Is smooth and continuous.
 - (d) Cuts across the demand curve.

Turn over

B. Multiple Choice :

5 MRTS of an L—Shaped iso-quant is :

- (a) Zero. (b) One.
(c) > 1 . (d) < 1 .

6 In the theory of games the equilibrium solution preferred by the duopolists is called :

- (a) Zero sum point. (b) Saddle point.
(c) Minimax point. (d) Maximin point.

7 Conditions of entry is :

- (a) $E = \frac{P_L - P_C}{P_C}$. (b) $P_L = P_C (1 + E)$.

- (c) $P_L = \frac{P_C (1 + \bar{q})}{Q_{CE}}$. (d) None.

8 Cournot's Duopoly equilibrium is determined by the intersection of :

- (a) Iso profit curves of the two firms.
(b) Reaction curves of the two firms.
(c) Iso profit line with reaction curve of the same firm.
(d) Iso-quants of two firms.

C. Fill in the blanks :

- 9 Characteristic approach to consumer theory help to determine _____ price.
10 A set of strategies where each players believes that it is doing the best it can give the of the other player or players are called _____.
11 The risk associated with holding of a portfolio is given by _____ of the probability dist of returns.
12 Snob effect is an example of a _____ network externality.

D. State True or False :

- 13 In chamberlin's model of oligopoly, the output and price will be equal to monopoly output price.
14 Returns to scale are a part of economies of scale.
15 Diminishing marginal utility of income/wealth generally implies risk aversion.
16 Graphically the effect of innovation in production process is shown by upward movement of the iso-quant.

Part B (Short Answer Questions)

Answer any ten not exceeding one page each.

- 17 Explain prisoner's Dilemma and its implications for oligopolistic pricing.
- 18 Show that for Cobb-Douglans production function elasticity of substitution is equal to unity.
- 19 Examine the effect of technical progress on factor shares.
- 20 Explain Friedman savage hypothesis.
- 21 Explain the concept of Pragmatic approach to the theory of demand.
- 22 Write a note on linearly homogeneous product function.
- 23 Explain Stackleburg's duopoly model.
- 24 Briefly explain the limit-pricing model of Franco Modigliani.
- 25 Explain Band Wagon and Snob Effect.
- 26 Distinguish between static and dynamic demand function.
- 27 Explain Trans log production function.
- 28 Explain risk spreading.

(10 × 2 = 20 weightage)

Part C (Essay Questions)

Answer any three not exceeding three pages each.

- 29 Briefly explain Bains limit pricing model.
- 30 Explain the merits and demerits of CES production function.
- 31 Explain Neuman-Morgenstern utility theory.
- 32 Explain how Sweezy's kinked demand approach explains the problem of price rigidity often found in Oligopolistic markets.
- 33 Explain the characteristic approach to demand theory.

(3 × 4 = 12 weightage)