

**FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2016**

(Regular/Supplementary/Improvement)

(CUCSS-PG)

**CC15P ECO1 C01 – MICRO ECONOMICS: THEORY AND APPLICATIONS - I**

(Economics)

(2015 Admission Onwards)

Time: Three Hours

Maximum: 36 Weightage

**Part A****Objective Type Questions.****Answer all twelve questions (12x 1/4 = 3 weightage)**

1. Entry preventing price is called:
 

(a) Equilibrium price	(b) Limit price
(c) Factor price	(d) None
2. The N-M utility curve of a risk lover is:
 

(a) Straight Line	(b) Convex to the Origin
(c) Concave to the origin	(d) Vertical straight line
3. The curve which shows the cumulative experience in the production of a product over time increases efficiency in the use of input and there by lowers cost of production:
 

(a) Iso cost curve	(b) Learning curve
(c) Envelope curve	(d) PP Curve
4. The index used to cardinally measure expected utility of money in risky situations:
 

(a) Markowitz method	(b) St. Petersburg Paradox
(c) N-M utility index	(d) None of the above
5. The price at which the consumer is indifferent to consume or not consume the good is called the:
 

(a) Market price	(b) Equilibrium price
(c) Reservation price	(d) None of these
6. According to Sylos- Labini the limit price is fixed by the:
 

(a) Produce	(b) Price leader
(c) Equilibrium	(d) None of the above
7. The term saddle point occurs in:
 

(a) Welfare economics	(b) Game theory
(c) Strategic game	(d) Linear programming
8. The earliest duopoly model was developed in 1838 by:
 

(a) Bertrand	(d) Cournot
(c) Chamberlin	(d) Edgeworth
9. The important form of price fixation under oligopoly is known as:
 

(a) Collusive oligopoly	(b) Kinked demand curve
(c) Price leadership	(d) Cournot model
10. A mathematically fair game is one in which the expected value of the game is:
 

(a) One	(b) Zero
(c) Negative	(d) Positive
11. Total fixed cost divided by output
 

(a) AFC	(b) AVC
(c) ATC	(d) TVC
12. The saucer shaped average variable cost curve is due to:
 

(a) Increasing returns	(b) Reserve capacity
(c) Decreasing returns	(d) None

### **Part B**

#### **Very Short Answer Type Questions**

**Answer Any Five Questions not exceeding one paragraph (5 x 1 = 5 weightage)**

13. Explain the features of sequential games.
14. Explain Bandwagon and Veblen effects.
15. Distinguish between increasing returns and decreasing returns to scale
16. What is Risk? How is it measured?
17. Explain the features of CES production function.
18. Are dominant strategy equilibria always Nash equilibria?
19. Modern empirical studies have found that long run average cost curve is 'L' shaped. How would you explain it?
20. Explain dominant price leadership.

### **Part C**

#### **Short Answer Type Questions**

**Answer Any Eight Questions not exceeding one page (8 x 2 = 16 weightage)**

21. Write a short note on Markowitz hypothesis.
22. Explain St. Petersburg paradox.
23. Define Cobb-Douglas production function and explain the properties of the function.
24. Explain Engineering cost curves
25. Briefly explain Stackelberg model.
26. Explain Baumol's Sales maximisation model.
27. What do you mean by entry preventing price? Explain Bain's limit price.
28. Explain Bertrand's non-collusive model
29. Explain prisoner's dilemma.
30. Explain different types of technological progress.
31. Define a Cartel. How does a cartel maximise joint profits?

### **Part D**

#### **Essay Type Questions**

**Answer Any Three Questions not exceeding three pages (3 x 4 = 12 weightage)**

32. Explain the characteristic features of the Cournot model of duopoly. What are its limitations?
33. Discuss the nature of the short run and long run average cost curves. Why is the long run cost curve flatter than the short run cost curve?
34. Explain how one can use choice under risk and uncertainty in the choice of investment portfolio.
35. Explain the major problems in measurement of production functions.
36. Evaluate the game theory.

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