Part D (Essay questions)

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

34. Explain how far has the Neumann-Morgenstern hypothesis succeeded in addressing the issue of measuring risk and uncertainty
35. Explain the model developed on basis of dynamic versions of demand functions.
36. Examine CES production function and critically evaluate the merits and demerits of CES production function.
37. Do the duopolists in a Cournot equilibrium face a prisoners dilemma? Explain.

(2 × 4 = 8 Weightage)

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24P125 (Pages: 4) Name: ………………………

Reg. No: …………..………..

FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2024

(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. Under risk, the probability of each specific outcome is:

   (a) Known (b) Predictable (c) Not Known (d) None

2. In Bernoulli’s view the marginal utility of money diminishes as:

   (a) Income rises (b) Income decreases

   (c) Price rises (d) Price decreases

3. If you know that the marginal utility per rupees spent on product Alpha is less than the marginal utility per rupees spent on product Beta, consumers who spend all their income on these two products can:

   (a) Maximize total utility but not marginal utility.

   (b) Maximize marginal utility but not total utility.

   (c) Increase total utility by buying more of Beta and less of Alpha.

   (d) Increase total utility by buying more of Alpha and less of Beta.

4. Which of the following is not a lagged-demand model?

   (a) Stock-adjustment principle (b) Habit Creation principle

   (c) Constant-elasticity demand (d) Linear Expenditure System

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. 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) Marshall (b) Ricardo (c) Veblen (d) Kelvin Lancaster

7. In modern theory,average variable cost is

   (a) U shaped (b) L shaped (c) dish shaped (d) saucer shaped

8. If a firm's revenues just cover all its opportunity costs, then:

   (a) normal profit is zero (b) economic profit is zero

   (c) total revenues equal its explicit costs (d) total revenues equal its implicit costs

9. Increasing returns to scale can be explained in terms of:

   (a) External and internal economies

   (b) External and internal diseconomies

   (c) External economics and internal diseconomies

   (d) All of these

10. When firms get together and attempt to set prices and outputs so as to maximise total industry profits, they are known as

    (a) Cartel (b) Price leader (c) Dominant firm (d) None of these

11. Cournot duopoly leads to:

    (a) Stable equilibrium (b) Unstable equilibrium

    (c) Disequilibrium (d) Neutral equilibrium

12. A firm that considers the potential reactions of its competitors when it makes a decision

    (a) Is referred to as a price leader (b) Is engaged in strategic behaviour

    (c) Is engaged in collusion (d) Is referred to as a barometric firm

13. In game theory, the outcome or consequence of a strategy is referred to as the

    (a) Payoff (b) Penalty (c) Reward (d) End-game strategy

14. A firm may decide to increase its scale so that it has excess production capacity because, by doing so, it is able to

    (a) Minimize its average cost of production

    (b) Establish a credible deterrent to the entry of competing firms

    (c) Take advantage of a dominant strategy in a prisoners' dilemma

    (d) Attain a Nash equilibrium and avoid repeated games

15. In this type of game binding contracts are possible:

    (a) Non-co-operative game (b) Co-operative game

    (c) Strategic game (d) None

(15 × 1/5 = 3 Weightage)

Part B (Very Short Answer Questions)

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

16. Explain risky and riskless assets.
17. Define Linear Expenditure System.
18. What is returns to scale?
19. Short note on homogeneous production function.
20. Define Oligopoly.
21. What do you mean by non price competition?
22. Define credible threat.
23. Distinguish between optimal startegy and dominant strategy.

(5 × 1 = 5 Weightage)

Part C (Short Answer Questions)

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

24. Explain the relevance of Neumann-Morgenstern Hypothesis.
25. Discuss various measures of reducing risk.
26. Explain Houthakker and Taylor's Stock adjustment model.
27. Write a note on Elasticity of substitution.
28. Discuss the Law of Variable Proportions.
29. Explain characteristic approach to demand function.
30. Compare and contrast the duopoly models of Cournot and Bertrand.
31. Explain how the price leader detremines a profit maximising price.
32. Explain equilibrium in dominant strategies with the help of an example.
33. Is the Courtnot equilibrium a Nash equilibrium', Explain.

(7 × 2 = 14 Weightage)