

FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2025

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19PECO1C01 - MICROECONOMICS: THEORY AND APPLICATIONS - I

(Economics)

(2019 Admission onwards)

Time : 3 Hours

Maximum : 30 Weightage

Part AAnswer *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. St. Petersburg paradox has been developed by
(a) Savage (b) Markowitz (c) Morgenstern (d) Bernoulli
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 correct with respect to durable goods?
(a) Short run demand is more price elastic (b) short run demand is less price elastic
(c) Long run demand is more price elastic (d) Past purchases reflect a habit
5. The demand curve under Veblen effect is
(a) Downward sloping (b) upward rising (c) Horizontal (d) Vertical
6. The 'habit-creation principle' has been developed by:
(a) Stone and Nerlove (b) Houthakker and Taylor
(c) Keynes (d) Markowitz
7. All the following traditional cost curves are U-shaped except:
(a) AC (b) MC (c) AFC (d) AVC
8. When a firm doubles its inputs and finds that its output has more than doubled, this is known as
(a) economies of scale (b) constant returns to scale
(c) diseconomies of scale (d) a violation of the law of diminishing returns

9. Suppose a firm sells its product at a price lower than the opportunity cost of the inputs used to
 - (a) The firm will earn accounting and economic profits
 - (b) The firm will face accounting and economic losses
 - (c) The firm will face an accounting loss, but earn economic profits
 - (d) The firm may earn accounting profits, but will face economic losses
10. Cournot duopoly leads to:
 - (a) Stable equilibrium
 - (b) Unstable equilibrium
 - (c) Disequilibrium
 - (d) Neutral equilibrium
11. A model of Game Theory of oligopoly is known as the:
 - (a) Prisoner's Dilemma
 - (b) Monopoly Cell
 - (c) Jailhouse Sentence
 - (d) Jury Box
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. Which one of the following is a part of every game theory model?
 - (a) Players
 - (b) Payoffs
 - (c) Probabilities
 - (d) Strategies
14. Which of the following is a nonzero-sum game?
 - (a) Prisoners' dilemma
 - (b) Chess
 - (c) Competition among duopolists when market share is the payoff
 - (d) All of the above
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 the St. Petersburg Paradox.
17. Define habit creation principle.
18. What is returns to scale?
19. What is a learning curve?
20. Define fixed proportion production function.
21. Distinguish between partial and full oligopoly.
22. Explain Nash equilibrium.
23. Define non zero-sum game.

(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. State and explains snob, Bandwagon and Veblen effects.
27. Write a note on Elasticity of substitution.
28. Why cost curves are 'U' shaped? Explain with help of diagram.
29. Explain different types of technological progress.
30. Explain Chamberlin's oligopoly model.
31. Explain the importance of advertising and selling cost in oligopoly market.
32. Discuss in detail the Prisoner's Dilemma.
33. Explain the meaning of nash equilibrium. How does it differ from an equilibrium in dominant strategies?

(7 × 2 = 14 Weightage)

Part D (Essay questions)

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

34. Critically examine Neumann – Morgenstern hypothesis.
35. How consumer equilibrium is portrayed under the characteristic's theory of demand and LES? Evaluate.
36. Diagrammatically explain and compare Cournot and Bertrand non collusive models of oligopoly?
37. Price leadership is a form of implicit collusion that sometimes gets around the prisoners dilemma'. Discuss.

(2 × 4 = 8 Weightage)
