K18P 1304

Reg. No. : ....

Name : ....

First Semester M.A. Degree (Reg./Suppl./Imp.) Examination, October 2018
(2014 Admn. Onwards)
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
ECO1C01 : Micro Economic Theory – I

Time : 3 Hours Max. Marks : 60

PART – A

Answer **all** questions. **All** questions carry **equal** marks :

1. The slope of an indifference curve is called
   a) Marginal rate of substitution
   b) Marginal rate of technical substitution
   c) Price ratio
   d) Elasticity of substitution

2. Inter temporal choice describes
   I) How an individual's current decisions affect what options become available in the future ?
   II) How an individual's future decisions affect what options become available at present ?
   a) I alone is correct b) II alone is correct
   c) Both I and II are correct d) Both I and II are incorrect

3. When both the firms are followers of each other in Stackelberg's model of duopoly, final equilibrium results in
   a) Joint profit maximization b) Equal profit for both
   c) Cournot solution d) Perfectly competitive solution

P.T.O.

4. A slack variable in the simplex method replaces
   a) An inequality constraint with an equality constraint and a non-negativity constraint
   b) An equation with a non-negativity constraint
   c) An inequality constraint with two or more inequality constraints
   d) An inequality constraint with an equation and a non-negativity constraint

5. The linear expenditure system was introduced by
   a) Nerlove
   b) Houthakker
   c) Richard Stone
   d) Roy C Geary

6. In the CES production function, $Q = A\,[aC^{-\theta} + (1-\alpha)\,L^{-\theta}]^{-1/\theta}$, the substitution parameter which determines the elasticity of substitution is
   a) A
   b) α
   c) θ
   d) $(1-\alpha)$

7. Which among the following is <u>**not**</u> an assumption of input-output model ?
   a) All inputs are employed in rigidly fixed proportion in a productive process
   b) Industries enjoy external economics or diseconomies
   c) Two products are not produced jointly
   d) Factor and commodity prices are specified

8. "Demand Under Conditions of Oligopoly" was authored by
   a) Sweezy
   b) Cournot
   c) Edgeworth
   d) Hitch

($8 \times 1/2 = 4$)

PART – B

Answer **any eight** questions. **Each** question carries **2** marks. No answer should exceed **one** page :

9. What do you mean by winner's curse ?
10. Distinguish between primal and dual problems.
11. What do you mean by multi product firm ?
12. Explain production function.
13. What is elasticity of substitution ?
14. Describe the distributed lag models of demand.

15. What is moral hazard ?

16. Differentiate between risk and uncertainty.

17. What is meant by risk spreading ?

18. Give a brief account on Linear Expenditure System.

19. What do you mean by market signaling ? (8×2=16)

PART – C

Answer **any four** questions. **Each** question carries **5** marks. No answer should exceed **2$^1/_2$** pages :

20. Explain the kinked demand curve theory.

21. Outline the properties of CES production function.

22. Give an account on pragmatic approach to demand analysis.

23. Explain the efficiency wage theory.

24. Briefly explain the theory of inter-temporal choice by the consumers.

25. Analyse the welfare effects of oligopoly. (4×5=20)

PART – D

Answer **any two** questions. **Each** question carries **10** marks. No answer should exceed **6** pages :

26. Explain Freedman-Savage Hypothesis. Bring out the improvement put forward by Markowitz.

27. Explain asymmetric information. Comment on asymmetric information in labour markets.

28. Critically examine Cournot's duopoly model.

29. Explain distributed-lag models of demand. (2×10=20)

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