



K21P 0441

Reg. No. : .....

Name : .....

**First Semester M.A. Degree (CBSS – Reg./Suppl. (Including Mercy  
Chance)/Imp.) Examination, October 2020  
(2014 Admission Onwards)  
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS  
ECO 1C01 : Microeconomic Theory – I**

Time : 3 Hours

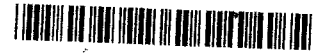
Max. Marks : 60

**PART – A  
(Essays)**

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

1. Identify the most suitable statement related to cartel pricing.
  - A) Is more likely to be maintained when there number of firms in the cartel is large.
  - B) Increases both price and industry output.
  - C) Establishes a price equal to the marginal cost of the average firm.
  - D) Is illegal under the terms of the Sherman Act.
2. In linear programming, objective function and objective constraints are
  - A) Solved
  - B) Linear
  - C) Quadratic
  - D) Adjacent
3. 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

P.T.O.



4. According to the duopolists' dilemma,
- A) Both firms both choose a high price, although both would be better off with the low price.
  - B) Both firms choose a low price, although both would be better off with the high price.
  - C) The firms are better off if one chooses a high price while the other chooses a low price.
  - D) Both firms choose to cut production, although both would be better off producing a larger output.
5. Technical progress is capital-deepening if :
- A) Along a line on which the K/L ratio is constant, the  $MRS_{LK}$  increases.
  - B) Along a line on which the K/L ratio is increasing, the  $MRS_{LK}$  increases.
  - C) Along a line on which the K/L ratio is decreasing, the  $MRS_{LK}$  decreases.
  - D) Along a line on which the K/L ratio is constant, the  $MRS_{LK}$  decreases.
6. Who among the following is/are associated with the development of state-preference approach to uncertainty ?
- A) Arrow
  - B) Debreu
  - C) Hirshleifer
  - D) All the above
7. 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.
8. In case of constant-elasticity demand function, quantity demanded of commodity depends on
- A) Price elasticity of demand
  - B) Cross-elasticity of demand
  - C) Income elasticity of demand
  - D) All the above
- (8×½=4)**



PART – B

Answer **any eight** questions. No answer should exceed **one** page.

9. Define risk aversion.
10. What do you mean by an isoprofit curve ?
11. What is inter-temporal budget constraint ?
12. Define linear programming.
13. State and prove Euler's theorem.
14. Prepare a note on barometric price leadership.
15. What are surplus variables ?
16. Define a production function.
17. Differentiate between primal and dual.
18. Bring out trade-off between risk and return.
19. Distinguish between merger and acquisition.

(8×2=16)

PART – C

Answer **any four** questions. No answer should exceed **2½** pages.

20. *The winner will tend to overpay due to emotional reasons. Do you agree ? Explain.*
21. Explain stock adjustment principle developed by Nerlove.
22. Explain the quality uncertainty and the market for 'lemons'.
23. *Increasing wages can lead to increased labour productivity. Substantiate this statement with the help of efficiency wage theory.*
24. Give an account of pragmatic approach to demand analysis.
25. Examine the formal types of collusion existing among the oligopolists.

(4×5=20)

PART – D

Answer **any two** questions. No answer should exceed **6** pages.

26. Derive major properties of Cobb-Douglas production function. Bring out the points of criticism raised by Arrow, Chenery, Minhas and Solow.
27. Compare and contrast the duopoly models of Cournot and Bertrand.
28. Discuss recent developments in the theory of market demand with special reference to inter temporal choice and Hicks logical ordering theory of demand.
29. Explain Freedman-Savage Hypothesis. Bring out the improvement put forward by Markowitz.

(2×10=20)

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