Reg. No. : ....

Name : ....

**I Semester M.A. Degree (C.B.S.S. – Reg./Supple./Imp.)
Examination, October 2021
(2018 Admission Onwards)
ECONOMICS/ APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
ECO1C01 : Microeconomic Theory – I**

Time : 3 Hours

Max. Marks : 60

PART – A

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

1. Capital deepening technical progress is true when
   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.

2. Neumann–Morgenstern utility function arises from
   A) Total utility hypothesis
   B) Marginal utility hypothesis
   C) Expected utility hypothesis
   D) Revealed preference hypothesis

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

4. 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

5. 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

6. According to the duopolists' dilemma,

   A) Both firms 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

7. For a linear programming equations, convex set of equations is included in region of

   A) Feasible solutions   B) Disposed solutions

   C) Profit solutions   D) Loss solutions

8. 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) $(1 - \alpha)$ (8×½=4)

PART – B

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

9. What is elasticity of substitution ?

10. Substantiate the presence of monopoly element in duopoly market.

11. Explain linear homogeneous production function.

12. What do you mean by selling cost ?

13. What is meant by risk spreading ?

14. What are decision variables ?

15. State and prove Euler's theorem.

16. Define surplus variables.

17. Prepare a note on trade-off between risk and return.

18. Define price leadership.

19. Prepare a note on barometric price leadership.

(8×2=16)

PART – C

Answer **any four** questions. **Each** question carries **5** marks. **No** answer should exceed **2½** pages.

20. Increasing wages can lead to increased labour productivity. Substantiate this statement with the help of efficiency wage theory.

21. Outline the properties of CES production function.

22. Explain the equilibrium of the multiproduct firm in terms of the production-possibility curve and iso-revenue curve.

23. The winner will tend to overpay due to emotional reasons. Do you agree ? Explain.

24. Differentiate between primal and dual problem with suitable example.

25. Analyze 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. Examine how Sweezy portrays the problem of price rigidity with the help of kinked demand curve.

27. Discuss recent developments in the theory of market demand with special reference to inter temporal choice and Hicks' logical ordering theory of demand.

28. Derive major properties of Cobb-Douglas production function. Bring out the points of criticism raised by Arrow, Chenery, Minhas and Solow.

29. Discuss asymmetric information in labour markets. (2×10=20)

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