D1AEC02101 **(3 Pages)** **Name.....**
Reg.No.....

FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2021
(Regular/Improvement/Supplementary)

ECONOMICS
FECO1C01- MICROECONOMICS: THEORY AND APPLICATIONS I

Time: 3 Hours **Maximum Weightage: 30**

Part A: Multiple choice questions. Answer *all* questions. Each carries $^1/_5$ weightage.

1. If a decision maker is risk averse, then the best strategy to select is the one that yields the …..
   (a) Highest expected payoff (b) Lowest coefficient of variation
   (c) Highest expected utility (d) Lowest standard deviation

2. Decline in marginal utility of money is assumed in ……
   (a) Friedman-Savage hypothesis (b) Permanent income hypothesis
   (c) Life cycle hypothesis (d) N – M Index

3. If the market interest rate is 10% and a decision maker's risk adjusted discount rate is 12%, then the decision maker ……
   (a) is risk averse (b) has a certainty-equivalent coefficient that is greater than one
   (c) is risk neutral (d)None of the above is correct.

4. As more consumers enter the market, then market demand for a commodity ……
   (a) shifts to right (b) shifts to left
   (c) move right along the same demand curve (d) move left along the same demand curve

5. Stage II of production begins at the point ……
   (a) of inflection of the total product curve
   (b) where average and marginal product are equal
   (c) where total product is at a maximum
   (d) where marginal product is at a maximum

6. If the production function is homogenous with decreasing returns to scale, the returns to a single variable factor will be ……
   (a) diminishing (b) increasing (c) constant (d) non-homogenous

7. Opportunity cost of sunk cost is ……
   (a) positive (b) negative (c) zero (d) one

8. The production function Y= min (L,K) is called ……
   (a) Variable proportion (b) Leontief
   (c) Cobb-Douglas Production Function (d) CES Production Function

9. The kinked demand curve model assumes that:
   (a) Firms match price increases, but not price cuts.
   (b) Demand is more elastic for price cuts than for price increases.
   (c) Changes in marginal cost can never lead to changes in market price.
   (d) None of the above is correct.

(P.T.O.)

10. 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 behavior
    (c) is engaged in collusion
    (d) is referred to as a barometric firm

11. A cartel that gives each member the exclusive right to operate in a particular geographic area is ……
    (a) Market-sharing cartel
    (b) Centralized cartel
    (c) Price leadership cartel
    (d) None of the above is correct

12. In which of the following type of game, binding contracts are not possible?
    (a) Cooperative game
    (b) Non-cooperative game
    (c) Strategic game
    (d) Non-strategic game

13. In game theory, a choice that is optimal for a firm no matter what its competitors do is referred to as ……
    (a) The dominant strategy
    (b) The game-winning choice
    (c) Super optimal
    (d) A gonzo selection

14. A matrix that, for each state of nature and strategy, shows the difference between a strategy's payoff and the best strategy's payoff is called ……
    (a) A maximin matrix
    (b) A minimax regret matrix
    (c) A payoff matrix
    (d) An expected utility matrix

15. The outcome or consequence of a strategy in a game theory is referred to as the ……
    (a) Payoff
    (b) Penalty
    (c) Reward
    (d) End-game strategy

(15 × $\frac{1}{5}$ = 3 weightage)

Part B: Very short answer questions. Answer any *five* questions. Each carries *one* weightage.

16. What is meant by return on assets? Explain with a suitable example.
17. Distinguish between positive and negative externalities. Give an example for each.
18. What are learning curves?
19. Explain capital deepening technical progress.
20. Distinguish between collusive and non-collusive oligopoly.
21. What is meant by barometric price leadership?
22. What is a payoff matrix?
23. Explain various types of game.

(5 × 1 = 5 weightage)

Part C: Short answer questions. Answer any *seven* questions. Each carries *two* weightage.

24. How prevalent are Friedman Savage hypothesis?
25. What do you mean by St. Petersburg Paradox?
26. Explain the idea behind Nerlov's stock adjustment principle.
27. Explain constant elasticity of demand function.
28. Distinguish between homogenous and non-homogenous production function.
29. Explain the features of CES production function.
30. How did Betrand develop his oligopoly model?
31. Critically examine Paul M. Sweezy'soligopoly model?
32. Analyse the concept of maximin and minimax strategies in theory of games.
33. Give a brief exposition of the concept 'Prisoner's Dilemma Games' in understanding the behaviour of firms.

(7 × 2 = 14 weightage)

Part D: Essay questions. Answer any *two* questions. Each carries *four* weightage.

34. 'When a consumer is faced with a choice of outcomes subject to various levels of chance, the optimal decision will be the one that maximizes the expected value of the utility derived from the choice made'. Explain.
35. Explain in detail the recent developments in the theory of market demand.
36. Explain Cobb-Douglas Production function and its properties with sufficient proof.
37. What are Cartels? Examine different forms of cartels.

(2 × 4 = 8 weightage)