D1AEC2201 (4 Pages) Name............................
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FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2022
(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. The marginal utility of money diminishes for a decision maker who is

   a) a risk seeker. b) a risk neutral.
   c) a risk averter. d) in a situation of uncertainty.

2. Friedman – Savage hypothesis holds that marginal utility of money diminishes for

   a) poor and rich. b) for rich alone.
   c) for poor alone. d) neither rich nor poor.

3. The coefficient of variation measures

   a) the risk per unit of expected payoff.
   b) the risk-adjusted expected value.
   c) the payoff per unit of risk.
   d) a decision maker's risk-return trade-off.

4. One of the earliest linear expenditure model was developed by

   a) Nerlov b) Houthakker and Taylor
   c) Richard Stone d) Bain

5. The production function Q= KL exhibits

   a) increasing returns to scale.
   b) decreasing returns to scale.
   c) constant returns to scale.
   d) there is no enough information to make any statement about the production function.

(P.T.O.)

6. The point of inflection on the total product curve corresponds to the level of output where

a) stage II of production begins.
b) average product is at a maximum.
c) marginal product is at a maximum.
d) all of the above are correct.

7. The effect of innovation in production process is shown with

a) downward shift of production function
b) upward shift of isoquant
c) downward shift of isoquant
d) both a and b

8. Which of the following curve is known as a planning curve?

a) Long run Marginal Cost
b) Short-run Marginal Cost
c) Short-run Average Cost
d) Long-run Average Cost

9. A cartel that operates like a multi-plant monopolist is a

a) market-sharing cartel.
b) centralized cartel.
c) price leadership cartel.
d) none of the above is correct.

10. Under the dominant-firm price leadership model,

a) all firms but the dominant firm are price takers.
b) the dominant firm acts as the residual monopolistic supplier.
c) the demand curve faced by the dominant firm is flatter than the market demand curve.
d) all of the above are correct.

11. According to the kinked demand curve model, a firm will assume that rival firms will

a) keep their rates of production constant.
b) keep their prices constant.
c) match price cuts but not price increases.
d) match price increases but not price cuts.

12. 'Theory of Games and Economic Behaviour' is the work of

a) Neumann and Morgenstern
b) Martin Shubik
c) Von Neumann
d) George B. Dantzig

13. Circumstances that influence the profitability of a decision are referred to as

a) strategies.
b) payoff matrix.
c) states of nature.
d) none of the above.

14. A prisoners' dilemma is a game with all of the following characteristics except one. Which one is present in a prisoners' dilemma?

    a) Players cooperate in arriving at their strategies.

    b) Both players have a dominant strategy.

    c) Both players would be better off if neither chose their dominant strategy.

    d) The payoff from a strategy depends on the choice made by the other player.

15. A game that involves interrelated decisions that are made over time is a

    a) sequential game. b) repeated game.

    c) zero-sum game. d) nonzero-sum game.

(15 × $^1/_5$= 3 weightage)

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

16. Explain the diversification of risk.
17. What is the idea behind distributed lag models?
18. Define linearly homogenous production function.
19. Differentiate between economies of scope and economies of scale.
20. What do you mean by naïve behaviour of firms?
21. What are cartels?
22. Explain the concept expected value of a payoff?
23. Explain maximin strategy.

(5 × 1 = 5 weightage)

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

24. Explain how Bernoulli solved the St. Petersburg paradox.
25. 'Prof. Markowitz found the Friedman-Savage hypothesis contrary to common observations'. Explain.
26. Distinguish between bandwagon and snob effects. Explain with suitable example.
27. Analyse how Houthakker and Taylor extended Nerlov's Stock adjustment model.
28. Write a note on the features of CES production function.
29. Graphically explain the concept of Leontief production function.
30. Critically examine Paul M. Sweezy's kinked demand model of oligopoly.

(P.T.O.)

31. Explain the implications of the concept Prisoner’s Dilemma Games for Oligopolistic pricing.
32. Compare and contrast two person’s zero-sum and non-zero sum game.
33. Analyse the different types of technical progress put forwarded by Hicks.

(7 × 2 = 14 weightage)

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

34. Discuss the Von Neumann-Morgenstern expected utility function and discuss how it differs from expected gains.
35. State and explain Linear expenditure system.
36. What are the features of Cobb-Douglas production function? Point out its usefulness in empirical studies.
37. Compare and contrast Cournot and Stackelberg’s models of oligopoly.

(2 × 4 = 8 weightage)