D1AEC2301 **(4 Pages)** **Name.............................**
Reg.No..........................

FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2023
(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 Bernoulli hypothesis is otherwise known as

   a) St. Petersburg Paradox b) Expected utility Hypothesis

   c) Both (a) and (b) d) N- M Index

2. Who advanced the hypothesis that explains why people engage in insurance and also engage in gambling?

   a) Markowits b) Neuman and Morgenstein

   c) Friedman and savage d) Nerlove

3. Market situation in which only two buyers is called ………….

   a) Duopoly b) Monopoly c) Oligopoly d) Duopsony

4. Previous levels of the quantity demanded and of income influencing the demand is:

   a) Constant elasticity demand function b) Linear expenditure system

   c) Distributed-lag models d) Characteristic demand function

5. A set of all possible production combinations while producing two commodities is:

   a) Iso-quant map b) Iso cost line

   c) Production possibility curve d) Production function

(P.T.O.)

6. Economies of scale means:

a) Reductions in unit cost of production b) Reductions in unit cost of distribution

c) Addition to the unit cost of production d) Reduction in the total cost of production

7. The degree of homogeneity of constant elasticity demand function is:

a) One b) Zero c) Two d) Constant

8. 'If an oligopolist decreases his price, the rivals will follow'. This is the basic assumption of:

a) Bertrand's Model b) Sweezy's Model

c) Edge worth Model d) Cournot Model

9. The desire to possess a unique commodity having a prestige value is called:

a) Snob effect b) Bandwagon effect

c) Veblen effect d) None

10. A cartel aims at maximizing:

a) Individual profits b) Industry profits

c) Share of output of members d) Goodwill of the members

11. A right angled iso-quant map represents ………..

a) A fixed proportion production function b) A variable proportion production function

c) A homogeneous production function d) None of the above

12. Stackelberg model is a logical extension of:

a) Bertrand model b) Cournot's model

c) Sweezy's model d) Edgeworth model

13. ……………..is the one that produces the best results, regardless of other choices made in the situation.

a) Saddle point b) Dominant strategy

c) Nash equilibrium d) Maximin strategy

14. Games in which the gains of one player is not equal to the losses of the other are called:

a) Zero-sum games b) Non- zero-sum games

c) Prisoners' dilemma d) Pure strategy

15. The intersection of maximin and minimax strategies is:

a) Bliss point b) Saddle point

c) Dominant strategy d) Pay off

(15 × $^1/_5$= 3 weightage)

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

16. Explain economies of scope.
17. Define a cartel.
18. Distinguish between pure and mixed strategies.
19. Elaborate on St. Petersberg paradox.
20. What is certainty equivalent?
21. Write a short note on network externalities.
22. Explain briefly characteristic demand function.
23. Give a short note on linear homogenous production function.

(5 × 1 = 5 weightage)

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

24. Explain Friedman-Savage hypothesis.
25. What are the different risk reducing methods? Explain.
26. Explain Cobb-Douglas production function and its properties.
27. Describe linear expenditure system.
28. Discuss threats, commitments and credibility in game theory.
29. Explain the stock adjustment principle of demand.
30. Describe Prisoner's dilemma in game theory.
31. Discuss different types of games.
32. Give a note on the price rigidity in the oligopoly market.

(P.T.O.)

33. Explain Cournot model of oligopoly market.

(7 × 2 = 14 weightage)

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

34. Explain the demand for risky assets.
35. Explain how network externalities affect the market demand curve?
36. Give a detailed account on collusive models of oligopoly.
37. Discuss the differences between traditional and modern theory of cost.

(2 × 4 = 8 weightage)