

**FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2024**  
**(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  $\frac{1}{5}$  weightage.**

1. While making decision under risky and uncertain situations, the decision maker is guided by:
  - a) Maximisation of expected utility.
  - b) Maximisation of expected utility and maximisation of dispersion.
  - c) Maximisation of expected utility and minimisation of dispersion.
  - d) None of the above.
2. The risk premium in expected utility theory represents:
  - a) The amount of risk a consumer is willing to take.
  - b) The additional utility a consumer requires to accept a risky option over a certain option.
  - c) The expected value of outcomes.
  - d) None of the above.
3. Markowitz hypothesis assumes that marginal utility on money depends on:
  - a) Absolute level of income.
  - b) Changes in the level of income.
  - c) Marginal utility of income remains constant.
  - d) None of the above.
4. The desire to own exclusive or unique goods is a case of:
  - a) Bandwagon effect.
  - b) Snob effect.
  - c) Veblen effect.
  - d) None of the above.
5. Collusion in an oligopoly typically involves:
  - a) Open agreements among firms.
  - b) Secret agreements among firms to limit competition.
  - c) Aggressive price-cutting strategies.
  - d) None of the above.

**(P.T.O.)**

6. The characteristic approach assumes that consumers make choices based on:
  - a) Total utility derived from a product.
  - b) Marginal utility derived from a product characteristic.
  - c) Average utility derived from a product characteristic.
  - d) None of the above.
7. Nash equilibrium in a game occurs when:
  - a) All players are satisfied with their outcomes.
  - b) No player can improve their payoff by unilaterally changing their strategy.
  - c) Players co-operate to achieve a common goal.
  - d) None of the above.
8. A convex utility function represents a consumer who is:
  - a) Risk averse.
  - b) Risk seeking.
  - c) Risk neutral.
  - d) None of the above.
9. Non-price competition includes:
  - a) Advertising.
  - b) Sales promotion campaigns.
  - c) Improving quality of the product or service.
  - d) All of the above.
10. The presence of market power in a duopolistic market can lead to:
  - a) Higher prices and lower output compared to a perfectly competitive market.
  - b) Lower prices and higher output compared to a perfectly competitive market.
  - c) Equal prices and output compared to a perfectly competitive market.
  - d) None of the above.
11. Increasing returns to scale occurs when:
  - a) Output increases more than proportionately to the increase in inputs.
  - b) Output increases proportionately to the increase in inputs.
  - c) Output increases less than proportionately to the increase in inputs.
  - d) None of the above.
12. Dynamic versions of demand function consider:
  - a) Lagged values of quantity demanded.
  - b) Lagged values of income.
  - c) Both lagged values of quantity demanded and income.
  - d) None of the above.

13. The constant elasticity demand function is commonly used to analyse markets where:
- a) Demand is highly sensitive to price changes.
  - b) Demand is not sensitive to price changes.
  - c) Demand is determined by income levels.
  - d) None of the above.
14. Risk and uncertainty can be reduced by:
- a) Gathering more information.
  - b) Diversification.
  - c) Insurance.
  - d) All of the above.
15. The short-run average variable cost curve is:
- a) 'U' shaped.
  - b) 'L' shaped.
  - c) Saucer shaped.
  - d) None of the above.

$(15 \times \frac{1}{5} = 3 \text{ weightage})$

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

- 16. What is meant by 'distributed-lag-models'?
- 17. Define technical progress.
- 18. What is homogenous production function?
- 19. Elaborate on fair games.
- 20. What is meant by a zero-sum game?
- 21. Define Elasticity of cost.
- 22. What are Cartels?
- 23. Give a short note on economies of scope.

$(5 \times 1 = 5 \text{ weightage})$

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

- 24. Explain Friedman Savage hypothesis.
- 25. Differentiate between Dominant strategy and Nash equilibrium.
- 26. What is the significance of the learning curve?

**(P.T.O.)**

27. Discuss the state preference approach to choose under uncertainty.
28. Explain the constant elasticity demand function.
29. Write a note on St. Petersburg Paradox and Bernoulli hypothesis.
30. Explain Prisoner's Dilemma.
31. Discuss four properties of Cobb-Douglas production function.
32. Briefly explain Stackelberg Duopoly Model.
33. Explain Bandwagon effect.

**(7 × 2= 14 weightage)**

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

34. Explain the construction of Neumann Morgenstern utility index.
35. Give a detailed account on the significance of the CES production function.
36. Discuss in detail the Linear Expenditure System.
37. Explain Collusive Oligopoly models.

**(2 × 4= 8 weightage)**