

7. General equilibrium recognizing among different markets.
- (a) Interconnections (b) Interdependence
(c) Both (a) and (b) (d) None of these
8. An interest rate that has been adjusted to remove the effects of inflation is known as
- (a) Rate of return (b) Real rate of return
(c) Depreciation cost (d) Nominal rate return
9. Who suggested the use of explicit set value judgments in the form of social welfare function?
- (a) Pareto (b) Adam smith (c) Bergson (d) Scitovsky
10. The situation at which the action of one party imposes costs on another party is:
- (a) Adverse selection (b) Negative externality
(c) Positive externality (d) Tragedy of commomns
11. A good for which additional units can be consumed at zero social marginal cost is:
- (a) Normal good (b) Non-rival good (c) Rival good (d) Private good
12. An important mechanism through which sellers and buyers deal with the problem of asymmetric information is:
- (a) Adverse selection (b) Screening (c) Market signaling (d) Moral Hazard
13. The analysis of economic behaviour using combination of psychology and economics is:
- (a) Rules of thumb (b) Behavioral economics
(c) Anchoring (d) State preference
14. Asymmetric Information occurs when:
- (a) Community surplus is maximized
(b) Community surplus is minimized
(c) Buyers and sellers have access to different information
(d) Information is free

15. The tragedy of commons occurs when there is
- (a) Overconsumption (b) Underinvestment
- (c) Resource depletion (d) All the above

(15 × 1/5 = 3 weightage)

Part B: Very short answer questions. Answer any five questions. Each carries 1 weightage.

16. Compare Diversifiable and Non-diversifiable risk.
17. Explain the Rate of return on Capital.
18. Distinguish between Real and Nominal rate of interest.
19. Explain Bentham's Criterion of Social Welfare.
20. Discuss how Behavioural economics differ from traditional economic approach.
21. Write a short note on Rawl's theory of Social Justice.
22. Explain Adverse Selection with example.

(5 × 1 = 5 weightage)

Part C: Short answer questions. Answer any seven questions. Each carries 2 weightage.

23. Explain Capital Asset Pricing Model.
24. Discuss how Property Right eliminate Externalities.
25. Explain the principles of Reference points in Consumer preferences.
26. Can Efficiency Wage remove the incentive for workers to shirk? Explain.
27. Explain the advantage of Heuristics in a complex decision-making process.
28. Compare GNP Criterion of Social Welfare with Cardinalist Criterion of Social Welfare.
29. Discuss Kaldor-Hicks Compensation Criterion of Social Welfare.
30. Explain the problem of Moral Hazard in Insurance market.
31. Give an account on Externalities in production.
32. Discuss Arrow's Impossibility theorem.

(7 × 2 = 14 weightage)

Part D: Essay questions. Answer any two questions. Each carries 4 weightage.

33. Explain market failures in the provision of Public Goods and its solutions.
34. Give a detailed account on Rule of Thumb and Biases in decision making process.
35. Describe Pareto Optimality Criterion of Social Welfare.
36. What are the implications of Asymmetric Information and explain the possible solutions.

(2 × 4 = 8 weightage)