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(3 Pages)

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SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2022 (Regular/Improvement/Supplementary)

ECONOMICS FECO2C05: MICROECONOMICS: THEORY AND APPLICATIONS II

Time: 3 Hours			Maximum Weightage: 30			
Part A: Multiple choice questions. Answer all questions. Each carries $^1\!/_5$ weightage.						
1.	The portion of current of	output set aside for use	in producing output in future period is:			
	(a) Future goods	(b) Rate of return	(c) Capital	(d) Inventory		
2.	All the possible outcome represented by:	nes of mutually advant	ages trade or exchange	e in the Edgeworth box is		
	(a) Indifference curve	(b) Contract curve	(c) Budget line	(d) None of the above		
3.	3. The amount of current consumption must be forgone to increasunit is:			ture consumption by one		
	(a) Rate of return		(b) Price of future go	od		
	(c) Opportunity cost		(d) Present Discount	Value		
4.	Price and quantity adjustment in related market is known as:		et caused by price and	l quantity adjustments in		
	(a) Transformational ef	fect	(b) Feedback effect			
	(c) Tatonnement		(d) General equilibriu	ım		
5.	A risk of a firm which	risk of a firm which arises due to the dependence on overall economy:				
	(a) Diversifiable risk(c) Risk Premium		(b) Discount rate(d) Non-diversifiable	risk		
6.	A change that makes no one better-off and at least one worse-off w			ill lead to:		
	(a) Pareto optimality		(b) Improvement in s	ocial welfare		
	(c) Decrease in social v	velfare	(d) None of the above	e		

7.	General equilibrium recognizing among different markets.					
	(a) Interconnections(c) Both (a) and (b)		(b) Interdependence			
			(d) None of these			
8.	An interest rate that ha	nove the effects of inflation is known as				
	(a) Rate of return	(b) Real rate of return				
	(c) Depreciation cost		(d) Nominal r	ate retu	rn	
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) Sc	itovsky	
10.	. The situation at which the action of one party imposes costs on another party is:				ther party is:	
	(a) Adverse selection		(b) Negative externality			
	(c) Positive externality		(d) Tragedy o	f comm	omns	
11.	. A good for which additional units can be consumed at zero social marginal cost is:				narginal cost is:	
	(a) Normal good	(b) Non-rival good	(c) Rival good	d	(d) Private good	
12.	An important mechanism through which sellers and buyers deal with the problem asymmetric information is:			al with the problem of		
	(a) Adverse selection	(b) Screening	(c) Market sig	gnaling	(d) Moral Hazard	
13.	The analysis of economic behaviour using combination of psychology and economics is:				gy and economics is:	
	(a) Rules of thumb(c) Anchoring		(b) Behaviora(d) State prefe		mics	
14.	Asymmetric Information	on 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

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

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.

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

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.

 $(7 \times 2 = 14 \text{ weightage})$

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.

 $(2 \times 4 = 8 \text{ weightage})$