

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2023
(Regular/Improvement/Supplementary)

ECONOMICS
FECO2C05: MICROECONOMICS: THEORY & APPLICATIONS II

Time: 3 Hours

Maximum Weightage: 30

Part A: Multiple choice questions. Answer *all* questions. Each carries $\frac{1}{5}$ weightage.

1. The annual income from an investment expressed as a proportion of the original investment is called
a) Return
b) Rate of interest
c) Rate of return
d) Investment
2. The interest rate before taking inflation into account is
a) Real interest rate
b) Nominal interest rate
c) Interest rate
d) None
3. A quantifiable uncertainty about gains or losses is
a) Uncertainty b) Risk c) Return d) None
4. Which of the following is an example for partial equilibrium?
a) Labour market, ceteris paribus
b) All markets at a time
c) Capital market
d) None
5. Who is the father of welfare Economics?
a) Joan Robinson b) Adam Smith c) A.C. Pigou d) None.
6. $-dy/dx$ represents
a) $MRTS_{L,K}$ b) $MRS_{X,Y}$ c) Labour ratio d) None of these
7. Which of the following is a best example for negative externality?
a) Air pollution from motor vehicle
b) Apple cultivation
c) Jogging
d) None
8. National defence is the best example for.....
a) Private good b) Public good c) Merit good d) None
9. A used car with hidden flaws is a classic example for
a) Lemon b) Merit good c) Public good d) None
10. is a market situation where buyers and sellers have different information.
a) Reverse choice b) Adverse selection c) Rational choice d) None
11. The curve that illustrates what a wage a company should pay to provide enough incentive for workers to be productive.
a) Indifference curve
b) Non-shirking constraint curve
c) MPL curve
d) None.

(P.T.O.)

12. is any aspect of the environment that affects people's judgments or decisions.
 a) Anchor b) Discrimination c) Herding d) None
13. The rationality of neo-classical theory is.....
 a) Bounded rationality b) Global rationality
 c) People's rationality d) None
14. $-dK/dL$ is
 a) Slope of the indifference curve b) Slope of the iso-quant
 c) Labour ratio d) None
15. Goods which are excludable and rival are
 a) Public good b) Social good
 c) Private good d) None.

(15 × 1/5 = 3 weightage)

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

16. Explain the importance of diversification in investment decisions.
17. Comment on the term 'uncertainty'.
18. Define signaling. What is an example for signaling?
19. Elucidate Free rider problem.
20. What is meant by negative externality in consumption? Give two examples.
21. Comment on ex post moral hazard.
22. Discuss the significance of framing bias in consumer decisions.
23. Explain the effects of r in capital decisions.

(5 × 1 = 5 weightage)

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

24. Explain net present value criterion for capital investment decisions.
25. Define Pareto optimality. What are the marginal conditions for attaining Pareto optimality?
26. Present the views of George Akerlof on asymmetric information.
27. Elucidate tragedy of commons.
28. Give a brief account of the ways for correcting market failure.
29. What are the techniques to reduce moral hazard in insurance market?
30. Explain Kaldor- Hicks compensation criterion?
31. What are the features of social welfare function?
32. Comment on Coase theorem.

33. How loss aversion might affect decisions to spend or save?

(7 × 2 = 14 weightage)

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

34. How does rules of thumb and biases influence decision making.

35. Explain efficiency wage theory.

36. Compare and contrast between neo classical economics and behavioural economics.

37. Elucidate Arrow's impossibility theorem.

(2 × 4 =8 weightage)