D2AEC2401 **(3 Pages)** **Name............................**
Reg.No..........................

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2025
(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 $^1/_5$ weightage.

1. Assets that have a significant degree of price volatility is ....

   a) Risk asset b) Riskless asset c) Hidden asset d) Guaranteed asset

2. The annual income from an investment expressed as a proportion of the original investment is …………..

   a) Return b) Rate of interest c) Rate of return d) Investment

3. Produced means of production is referred as ………..

   a) Labour b) Interest c) Capital d) Organization

4. Optimum is …………

   a) Maximum b) Minimum c) The best d) None of these

5. The greatest good for the greatest number is the ………..

   a) General criterion of social welfare b) Bentham’s criterion of social welfare
   c) Marx’s criterion d) None of these

6. All points of an indifference curve express …………

   a) Same utility b) Different utility
   c) Higher and higher utility d) None of these

7. A good which is non-excludable and non-rival is a ……….

   a) Private good b) Foreign good c) Social good d) Imported good

8. Cigarette is a good with ………. externality.

   a) Positive b) Negative c) Popular d) None of these

(P.T.O.)

9. Coase theorem is associated with the name of …………

a) Richard Coase b) Ronald Coase c) Robin Coase d) None of these

10. Used car market is an example for …………

a) Symmetric market b) Asymmetric market
c) Global market d) Mixed market

11. A party providing misleading information about its assets or liabilities is …….…

a) Fraud b) Moral Hazard c) Hoax d) None of these

12. A party credibly conveys some information about itself to another party is ……………

a) Signaling b) Hall marking c) Ranking d) None of these

13. Unemployed despite willing to work at the prevailing wage is called ………..

a) Voluntary unemployment b) Involuntary unemployment
c) Vocational unemployment d) None of these

14. A baseline value for evaluating potential outcomes is ………….

a) Reference point b) Gamble point c) Control value d) None of these

15. The process of converting a value received in a future time period to an equivalent value received immediately is ……….

a) Discounting b) Budging c) Crowding d) None of these

($15 \times {}^{1}/_{5} = 3$ weightage)

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

16. Distinguish between diversifiable and non-diversifiable risks.
17. What is real interest rate?
18. Present GNP criterion of social welfare.
19. What are the features of community indifference curve?
20. Give an example for a private good and public good.
21. Distinguish between positive and negative externality.
22. Comment on ‘bounded rationality’.
23. What is meant by adverse selection?

($5 \times 1 = 5$ weightage)

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

24. Explain the capital asset pricing model.
25. How to determine equilibrium price of future goods?
26. Give a brief account of theory of second best.
27. State Rawls theory of justice.
28. Present Lindahl pricing model.
29. Write a note on free rider problem.
30. Comment on externalities and market failure.
31. Present a model for reducing shirking in business enterprises.
32. Compare and contrast rational choice theory with behavioural economics.
33. Give a brief account of lemons problem.

(7 × 2 = 14 weightage)

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

34. Explain the net present value criterion for capital investments.
35. Present 2x2x2 general equilibrium model.
36. Why does market fail in the provision of public goods? What are the ways of correcting market failure?
37. Elucidate Principal agent problem.

(2 × 4 = 8 weightage)