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Name.....

Reg. No.....

**FIRST SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)  
EXAMINATION, NOVEMBER 2020**

(CBCSS)

Economics

**ECO 1C 01—MICRO ECONOMICS : THEORY AND APPLICATIONS—I**

(2019 Admissions)

Time : Three Hours

Maximum : 30 Weightage

**General Instructions**

1. In cases where choices are provided, students can attend **all** questions in each section.
2. The minimum number of questions to be attended from the Section / Part shall remain the same.
3. There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.

**Part A (Multiple Choice Questions)***Answer **all** questions.**Each question carries  $\frac{1}{4}$  weightage.*

1. A market structure wherein a market or industry dominated by a small number of large sellers :  
(a) Monopolistic Competition. (b) Bilateral monopoly.  
(c) Monopolistic Competition. (d) Oligopoly.
2. The kinked demand curve model seeks to explain the reason of \_\_\_\_\_ under oligopolistic market situations.  
(a) Equilibrium. (b) Price rigidity.  
(c) Demand flexibility. (d) Elasticity.
3. In game theory, a \_\_\_\_\_ is a mathematical representation of a situation in which each participant's gain or loss of utility is exactly balanced by the losses or gains of the utility of the other participants  
(a) Win-win game. (b) Social trap.  
(c) Minimax theorem. (d) Zero-sum game.

**Turn over**



4. The capital that is consumed by an economy or a firm in the production process is known as :
- (a) Production cost.
  - (b) Opportunity cost.
  - (c) Depreciation.
  - (d) Welfare loss.
5. A non-competitive, secret, and sometimes illegal agreement between rivals who conspire to work together to gain an unfair market advantage are termed as :
- (a) Price fixing.
  - (b) Spot fixing.
  - (c) Collusion.
  - (d) Cost leadership.
6. A \_\_\_\_\_ is a mathematical formula used to chart how production expenses will change at different output levels is known as.
- (a) Cost function.
  - (b) Production function.
  - (c) Total output.
  - (d) Marginal product.
7. The elasticity of the ratio of two inputs to a production function with respect to the ratio of their marginal products is termed as :
- (a) Marginal rate of technical substitution.
  - (b) Cost elasticity.
  - (c) Elasticity of substitution.
  - (d) Scale elasticity.
8. The problem why most people are unwilling to participate in a fair game or bet :
- (a) St. Petersburg paradox.
  - (b) Newcomb's paradox.
  - (c) Friedman-Savage hypothesis.
  - (d) none of the above.
9. A form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss.
- (a) Underwriting.
  - (b) Insurance.
  - (c) Mutual fund.
  - (d) Investment.
10. If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to :
- (a) Increase.
  - (b) Decrease.
  - (c) Remain the same.
  - (d) Become zero.



11. In the short run, when the output of a firm increases, its average fixed cost :
- (a) Remains constant. (b) Increases.  
(c) Decreases. (d) First decreases and then rises.
12. If marginal costs equal average total costs :
- (a) Average total costs are falling.  
(b) Average total costs are maximized.  
(c) Average total costs are rising.  
(d) Average total costs are minimized.

(12 × ¼ = 3 weightage)

### Part B (Short Answer Type)

*Answer any five out of eight questions.  
Each question carries 1 weightage.*

13. What is expected utility ?  
14. Define linear demand curve.  
15. What are the characteristics of oligopoly ?  
16. Define Cartel.  
17. What is Nash Equilibrium ?  
18. Write down bandwagon effect.  
19. What do you mean by linear homogenous production function ?  
20. What is the difference between economies of scale and returns to scale ?

(5 × 1 = 5 weightage)

### Part C (Paragraph Type)

*Answer any seven out of ten questions.  
Each question carries 2 weightage.*

21. Explain St. Petersburg Paradox.  
22. Why are prices stable in a non-collusive oligopoly ?  
23. Explain different types and advantage of price leadership.

Turn over



24. What is N-M Utility Index and point out its assumptions ?
25. What is cost function ? Explain its importance.
26. Give an account of Cobb-Douglas production function ?
27. Compare Cournot and Bertrand models.
28. Describe snob effect demand curve with diagram.
29. Give an account on fixed proportion production function.
30. Critically examine Prisoner's dilemma ?

(7 × 2 = 14 weightage)

**Part D (Essay Type)**

*Answer any two out of four questions.*

*Each question carries 4 weightage.*

31. Discuss two person zero-sum game with saddle point and dominant strategy.
32. Examine Houthakker and Taylor dynamic demand functions.
33. Explain Markowitz Hypothesis.
34. Define CES production function. State its properties.

(2 × 4 = 8 weightage)