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Name...

Reg. No....................................

SECOND SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2021

(CBCSS)

Economics

ECO 2C 05—MICRO ECONOMICS THEORY AND APPLICATIONS-II

(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 ¼ weightage.

1) IRR is defined as the discount rate at which NPV = —————.

   (a) 1.

   (b) 2.

   (c) 3.

   (d) 0.

2) Hicks test is the reverse of ————— test.

   (a) Pareto.

   (b) Pigou.

   (c) Kaldor.

   (d) Scitovsky.

3) Free riding is considered a failure of the conventional ————— market system.

   (a) Perfect.

   (b) Free.

   (c) Imperfect.

   (d) Barter.

4) Among the following ————— is not related to Lindahl equilibrium.

   (a) Every consumer demands the same amount of the public good and thus agrees on the amount that should be produced.

   (b) Consumers each pay a price according to the marginal benefit they receive.

   (c) The total revenue from the tax covers the full cost of providing the public good.

   (d) Consumers do not pay a price according to the marginal benefit they receive.

Turn over

5) Externalities are ———— when the social costs outweigh the private costs.

   (a) Positive.   (b) Negative.

   (c) Both (a) and (b).   (d) None of the above.

6) Unsystematic risk mitigated through diversification is ————.

   (a) Diversifiable risk.   (b) Conventional risk.

   (c) Scientific risk.   (d) Specific risk.

7) Behavioural economics is often related with ————.

   (a) Positive economics.   (b) Welfare economics.

   (c) Normative economics.   (d) Poor economics.

8) A public good is subject to ———— problem as some people will take advantage of it, refusing to help to pay for it.

   (a) Rivalry.   (b) Excludability.

   (c) Externality.   (d) Free-rider.

9) Evenly Rotating Economy (ERE) is an alternative to ————.

   (a) Partial equilibrium.   (b) Long-run general equilibrium.

   (c) Equilibrium.   (d) Pareto equilibrium.

10) William Meckling is associated to ————.

   (a) Asymmetric information.   (b) Theory of Second Best.

   (c) Impossibility theorem.   (d) Principal-agent problem.

11) ———— is a part of social choice theory.

   (a) Pigou's theorem.   (b) Pareto's theorem.

   (c) Walra's theorem.   (d) Arrow's impossibility theorem.

12) Real interest rate takes ———— into account.

   (a) Money rate.   (b) Bank rate.

   (c) Inflation.   (d) Exchange reserve.

Part B (Short Answer Type Questions)

Answer any **five** questions.

Each question carries 1 weightage.

(12 × 4 = 3?)

13) Define future goods.

14) Explain Lindahl pricing.

15) Write a note on Coase theorem.

16) Define Welfare Economics.

17) Explain supply of future goods.

18) What is CPR ?

19) Explain efficiency wage theory.

20) Explain Rules of thumb.

Part C (Paragraph type Questions)

*Answer any **seven** questions.*

Each question carries 2 weightage.

21) Explain rules of thumb and biases in decision making.

22) What are the implications of asymmetric information ?

23) Explain capital assets pricing model.

24) How pricing of risky assets is done ?

25) Explain Arrow's impossibility theorem.

26) Compare diversifiable and non diversifiable risks.

27) Explain Firms demand for capital.

28) Explain IRR Criterion.

29) Briefly explain the theory of Second Best.

30) Explain hidden information and hidden action.

(7 × 2 = 14 weightage)

Part D (Essay type Questions)

*Answer any **two** questions.*

Each question carries 4 weightage.

31) What is Public good ? Explain Public goods and market failure.

32) What is externality ? Briefly explain positive and negative externalities in production and consumption.

33) Explain the criteria of social welfare. Briefly illustrate Kaldor-Hicks compensation criterion.

34) What is NPV ? Explain NPV criterion for capital investment decision.

(2 × 4 = 8 weightage)