



K15P 0244

Reg. No. : .....

Name: .....



I Semester M.A. Degree (Reg./Sup./Imp.) Examination, November 2015  
(2014 Admn. Onwards)

**ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS**  
**ECO1C01 : Micro Economic Theory – I**

Time : 3 Hours

Max. Marks : 60

- Instructions :** 1) Answer **all** questions in Part – A. All questions carry **equal** marks.  
2) Answer **any eight** questions in Part – B. Each question carries **two** marks. No answer should exceed **one** page.  
3) Answer **any four** questions in Part – C. Each question carries **five** marks. No answer should exceed **two and half** pages.  
4) Answer **any two** questions in Part – D. Each question carries **ten** marks. No answer should exceed **six** pages.

PART – A

1. The "state-preference" approach to uncertainty was introduced by
  - a) Kenneth J. Arrow
  - b) Alfred Marshal
  - c) Adam Smith
  - d) John Green
2. The indifference curves which is used for selecting the most desirable portfolios
  - a) Negatively slopping
  - b) Positively slopping
  - c) Horizontal line
  - d) Vertical line
3. If he or she would accept a certain payment of less than Rs. 50 (for example, Rs. 40), rather than taking the gamble and possibly receiving nothing is
  - a) Risk Neutral
  - b) Risk Loving
  - c) Risk Aversion
  - d) None of these
4. \_\_\_\_\_ is based on diminishing marginal rate of substitution.
  - a) Indifference curve analysis
  - b) Attribute based approach
  - c) Weak ordering theory
  - d) Marginal utility analysis

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5. In the case of \_\_\_\_\_ consumers the utility of the expected value of wealth is greater than the expected utility of wealth.
- a) Risk averse                      b) Risk loving  
c) Risk spreading                  d) Risk neutral
6. The area under the marginal cost curve measures
- a) Average cost                      b) Variable cost  
c) Total cost                          d) Fixed cost
7. Which of the following is an essential condition in a situation for linear programming to be useful ?
- a) Nonlinear constraints              b) Homogeneity  
c) Uncertainty                          d) Competing objectives
8. Which of the following is true ?
- a) In Bertrand oligopoly each firm believes that their rivals will hold their output constant if it changes its output  
b) In Cournot oligopoly firms produce an identical product at a constant marginal cost and engage in price competition.  
c) In oligopoly a change in marginal cost never has an effect on output or price  
d) None of the above are true

(8×½=4)

## PART – B

9. What are the advantages of portfolio diversification ?
10. Explain the optimal; choice of consumption.
11. What is capital deepening ?
12. Explain elasticity of substitution.
13. What is dual problem ?
14. Explain the uses of linear programming.
15. What is dominant firm's price leadership ?
16. What are the welfare effects of oligopoly ?



17. Explain market for lemons.
18. Explain simplex method.
19. What is meant by variance analysis ?

(2×8=16)

## PART – C

20. Explain household portfolio decisions under conditions of uncertainty.
21. Explain the rationale of choosing gambling and insurance.
22. Explain Nerlove's lag models of demand.
23. Explain Edgeworth's model of oligopoly.
24. Explain Sweezy's kinked demand model.
25. Explain the problem of information asymmetry.

(4×5=20)

## PART – D

26. Discuss the N-M utility approach to explain consumption under uncertainty.
27. Formulate and solve a linear programming maximisation problem.
28. Explain Cournot's Model of Oligopoly.
29. Explain Hick's weak ordering of demand.

(2×10=20)