



Reg. No. :

Name :

**First Semester M.A. Degree (CBSS – Reg./Suppl. (Including Mercy Chance)/Imp.) Examination, October 2020
(2014 Admission Onwards)**

**ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
ECO 1C01 : Microeconomic Theory – I**



Time : 3 Hours

Max. Marks : 60

**PART – A
(Essays)**

Answer **all** questions. **All** questions carry **equal** marks.

1. Identify the most suitable statement related to cartel pricing.
 - A) Is more likely to be maintained when there number of firms in the cartel is large.
 - B) Increases both price and industry output.
 - C) Establishes a price equal to the marginal cost of the average firm.
 - D) Is illegal under the terms of the Sherman Act.
2. In linear programming, objective function and objective constraints are
 - A) Solved B) Linear C) Quadratic D) Adjacent
3. Inter temporal choice describes :
 - I) How an individual's current decisions affect what options become available in the future.
 - II) How an individual's future decisions affect what options become available at present ?
 - A) I alone is correct
 - B) II alone is correct
 - C) Both I and II are correct
 - D) Both I and II are incorrect



4. According to the duopolists' dilemma,
- Both firms both choose a high price, although both would be better off with the low price.
 - Both firms choose a low price, although both would be better off with the high price.
 - The firms are better off if one chooses a high price while the other chooses a low price.
 - Both firms choose to cut production, although both would be better off producing a larger output.
5. Technical progress is capital-deepening if :
- Along a line on which the K/L ratio is constant, the MRS_{LK} increases.
 - Along a line on which the K/L ratio is increasing, the MRS_{LK} increases.
 - Along a line on which the K/L ratio is decreasing, the MRS_{LK} decreases.
 - Along a line on which the K/L ratio is constant, the MRS_{LK} decreases.
6. Who among the following is/are associated with the development of state-preference approach to uncertainty ?
- Arrow
 - Debreu
 - Hirshleifer
 - All the above
7. A slack variable in the simplex method replaces.
- An inequality constraint with an equality constraint and a non-negativity constraint.
 - An equation with a non-negativity constraint.
 - An inequality constraint with two or more inequality constraints.
 - An inequality constraint with an equation and a non-negativity constraint.
8. In case of constant-elasticity demand function, quantity demanded of commodity depends on
- Price elasticity of demand
 - Cross-elasticity of demand
 - Income elasticity of demand
 - All the above
- (8×½=4)**



PART – B

Answer **any eight** questions. No answer should exceed **one** page.

- Define risk aversion.
- What do you mean by an isoprofit curve ?
- What is inter-temporal budget constraint ?
- Define linear programming.
- State and prove Euler's theorem.
- Prepare a note on barometric price leadership.
- What are surplus variables ?
- Define a production function.
- Differentiate between primal and dual.
- Bring out trade-off between risk and return.
- Distinguish between merger and acquisition.

(8×2=16)

PART – C

Answer **any four** questions. No answer should exceed **2½** pages.

- The winner will tend to overpay due to emotional reasons.* Do you agree ? Explain.
- Explain stock adjustment principle developed by Nerlove.
- Explain the quality uncertainty and the market for 'lemons'.
- Increasing wages can lead to increased labour productivity.* Substantiate this statement with the help of efficiency wage theory.
- Give an account of pragmatic approach to demand analysis.
- Examine the formal types of collusion existing among the oligopolists.

(4×5=20)

PART – D

Answer **any two** questions. No answer should exceed **6** pages.

- Derive major properties of Cobb-Douglas production function. Bring out the points of criticism raised by Arrow, Chenery, Minhas and Solow.
- Compare and contrast the duopoly models of Cournot and Bertrand.
- Discuss recent developments in the theory of market demand with special reference to inter temporal choice and Hicks logical ordering theory of demand.
- Explain Freedman-Savage Hypothesis. Bring out the improvement put forward by Markowitz.

(2×10=20)